

# CURRENT HISTORY

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MARCH, 1990

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# Current History

MARCH, 1990

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*Continuity and change in Southeast Asia are the focus of this issue. The introductory article explores how social and economic dynamism in the region is forcing the United States to reevaluate its security needs there. The author poses the central security question: "If superpower détente translates into a reduction of forward deployed forces in Southeast Asia during the 1990's, are the ASEAN states considering an alternative security posture?"*

## United States Security Policy and ASEAN

BY SHELDON W. SIMON

*Professor of Political Science, Arizona State University*

**W**HAT happens if peace breaks out?" is a question applicable not only in Europe but in the Asian Pacific area as well. While superpower détente has become increasingly prominent in the late 1980's, its implications for United States diplomacy in Asia are complex. United States foreign policy in the Pacific followed two tracks during the years of Ronald Reagan's presidency. The dominant cold war track emphasized the importance of maintaining a strong navy and a strong air force along the Asian-Pacific rim to balance their growing Soviet counterparts and to reassure allies like Japan, South Korea, the Philippines and Thailand.

An increasingly important secondary track, however, seemed to conflict with the first. As United States budget and balance of payments deficits ballooned, Washington began pressing friends and allies to open their markets to American products and to raise the value of their currencies. These economic pressures have strained United States political-strategic relations with Asian nations, calling into question Washington's long-term ability to sustain a cold war posture through the 1990's.

As the decade closed, these strains were exacerbated by the détente process itself, which challenged the need for maintaining United States military dominance if the Soviet threat were declining. The confluence of economic strains and military

relaxation portends troubled times for the Asian policy of President George Bush.

In effect, the Asian policy of the United States is in a period of transition. Alliances and the maintenance of an air and naval presence still contribute to stability; at the same time, however, they have become an economic burden to the United States and an affront to nationalist sensitivities in countries like South Korea and the Philippines. Nationalist pressures in an era of superpower détente, combined with the monetary costs of maintaining forward deployed forces, will inexorably lead to the reduction of United States forces in Southeast Asia over the next decade. If the size of Soviet deployments in Vietnam wanes, members of the Association of South East Asian Nations (ASEAN)<sup>1</sup> will view American ships and aircraft as increasingly irrelevant to their real security concerns: ethnic unrest, religious tensions and class-based turmoil over the distribution of the fruits of economic development.<sup>2</sup>

The movement toward democracy in Southeast Asia, leading to governments susceptible to popular pressure and shifting coalitions, will make United States policy more complicated on a daily basis. At the same time, there is consensus within ASEAN that only the United States is an acceptable provider of regional security. It is the only major power whose political motives are regarded as benign and whose open markets remain essential for regional prosperity. A United States commitment to Southeast Asian stability and development continues to form the basis of United States policy, even though the contribution Washington makes to regional economic goals is now shared with other donors, notably the countries of northeast Asia—Japan,

<sup>1</sup>The Association of South East Asian Nations (ASEAN) consists of Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei.

<sup>2</sup>For a readable overview of the dilemmas facing the Bush administration's global policy, see Stanley Hoffmann, "What Should We Do in the World?" *The Atlantic*, October, 1989, pp. 84-96.

South Korea and Taiwan. All three became major investors in ASEAN during the late 1980's.

As the United States reduces its military competition with the Soviet Union, it is simultaneously increasing economic pressure on allies like Thailand and the Philippines to open their own markets to United States products in order to correct trade imbalances. United States officials have warned their Pacific allies that chronic trade imbalances must lead to defense budget cuts.<sup>3</sup> For example, the United States ambassador to Singapore has insisted that countries under the United States protective umbrella "should absorb more of the costs of that protection." Concern that Washington may press Japan to assume maritime security responsibilities in Southeast Asia may well be energizing recent efforts by Singapore, Malaysia and Indonesia to acquire new missile-armed aircraft and warships to protect adjacent South China Sea waters increasingly on their own.<sup>4</sup>

The ASEAN states are also aware of the decline of Soviet deployments in the South China Sea-Indian Ocean theater in recent years; they know that the Soviet Union is retiring ships more rapidly from the Pacific Fleet than it is commissioning new units. To ASEAN audiences, Soviet officials stress the fact that their naval presence is designed primarily to protect their own important sea lanes to the Soviet

Far East, essential for Siberian development. No threat is intended, therefore, by the Soviet navy's operations in Southeast Asia.<sup>5</sup>

In a reduced external-threat environment, combined with American pressures for burden-sharing, United States relations with ASEAN may best be assessed by examining the policies dealing with three major current regional concerns. They include the future of the Philippine bases, which will affect the ability of the United States Navy and Air Force to maintain a permanent Southeast Asian presence; the future of Indochina, pending a Cambodian settlement and the prospect for a new ASEAN-Indochinese political-economic relationship; and the possibility of greater ASEAN defense collaboration as well as ASEAN's role in a larger Pacific Basin economic arrangement. The outcome of these issues could well determine Southeast Asian security in the 1990's.

## THE PHILIPPINE BASES

The future of the Southeast Asian bases encompasses both United States facilities at Clark Air Base and Subic Bay Naval Station in the Philippines and Soviet facilities at Cam Ranh Bay and Danang in Vietnam.<sup>6</sup> Their disposition in the 1990's will affect the security policies of all Southeast Asian actors. The termination or even the diminution of forces at the bases would mean that the littoral states would become increasingly responsible for regional defense.

Philippine defense officials admit that their armed forces could not provide for external security were the Americans to leave abruptly.<sup>7</sup> Other ASEAN members also fear that a precipitous United States withdrawal could bring Japanese, Chinese or even Indian naval forces into the region with unpredictable results. On the other hand, even staunch Filipino advocates of the bases agree that their years are numbered and that the facilities should be phased out by the turn of the century.<sup>8</sup> Achieving a gradual phaseout, however, is politically difficult.

Under the new Philippine constitution, the bases can be extended after 1991 only by treaty (not by executive agreement). Already, a decisive bloc of 11 Filipino senators have gone on record opposing renewal, a bloc large enough to prevent the ratification of any lease extension. Hoping to thwart the Senate preemption of the Philippine negotiating position (on which the prospect of considerable United States foreign aid depends), President Corason Aquino has called for a national referendum on the bases. Assuming that Filipino voters support a lease renewal, public opinion could pressure the senators to drop their opposition.<sup>9</sup>

Because most Filipinos perceive the bases as rele-

<sup>3</sup>Remarks by then Assistant Secretary of State-designate for East Asia and the Pacific Richard Armitage, cited by Michael Richardson, "The ASEAN Scene: Differences Mount as Tension Eases," *Pacific Defence Reporter*, June, 1989, p. 15.

<sup>4</sup>Ibid., pp. 15 and 18. Also see the address by Secretary of State James Baker to the Asia Society, June 26, 1989, in which he calls for a new Pacific partnership with Japan that will be "based on a global sharing of responsibilities," United States Department of State, *Current Policy*, No. 1185, p. 3.

<sup>5</sup>Statements by Commander in Chief of the Soviet Pacific Fleet Admiral Gennady A. Kvatov, as reported in Robert Horiguchi, "Eyewitness with the Pacific Fleet," *Pacific Defence Reporter*, August, 1989, pp. 8-9.

<sup>6</sup>Space limitations preclude a lengthy analysis of the domestic and international issues involved in the bases renewal question. Excellent reviews may be found in William Berry, *U.S. Bases in the Philippines: The Evolution of the Special Relationship* (Boulder: Westview Press, 1989), and Fred Greene, ed., *The Philippine Bases: Negotiating for the Future* (New York: Council on Foreign Relations, 1988).

<sup>7</sup>Statement by Defense Secretary Fidel Ramos as reported in *The Manila Chronicle*, August 22, 1989, in Foreign Broadcast Information Service, *East Asia Daily Report* (cited as FBIS), August 23, 1989, pp. 80-81.

<sup>8</sup>Thai, Singaporean and Malaysian leaders all prefer a continued United States presence in the Philippines. See, for example, both *Bangkok Post* and *Far Eastern Economic Review (FEER)* of August 24, 1989, p. 14. Defense Secretary Ramos has called for a one-time extension of the agreement to 1998, *Agence France-Presse* (Hong Kong), August 24, 1989, in FBIS, August 25, 1989, p. 38.

<sup>9</sup>*The Asian Wall Street Journal Weekly (AWSJ)*, August 28, 1989, and Quezon City GMA7 Radio-Television Arts Network, October 16, 1989, in FBIS, October 17, 1989, pp. 42-43.



vant only to Asia-Pacific defense needs of the United States (and not to their own defense), their continuation is justified as a device to generate United States aid and investment. Manila insists, for example, that any new treaty address all funding provisions explicitly. However, no treaty can bind the United States Congress in advance on appropriations, because the House of Representatives must initiate all financing bills. Moreover, the United States has already raised its assistance package for the Philippines from \$180 million in the 1983 bases review to an annual figure of \$481 million from 1988 to 1991. This sum is independent of an additional \$200 million that the United States has promised for each of the next five years under the Multilateral Assistance Initiative.<sup>10</sup> Given American fiscal constraints, it is unlikely that the United States Congress will be willing to raise the annual figure for the Philippines much beyond its current level.

Paradoxically, a five- or ten-year phaseout could actually accelerate a United States decision to leave the Philippines. Instead of investing further in bases it has agreed to leave, Washington would use its resources for future base sites and related alternatives, probably accelerating the withdrawal schedule from Clark and Subic Bay.<sup>11</sup>

An additional Philippine roadblock lies in the path of a successful lease extension. Article II of the Philippine constitution appears to prohibit nuclear weapons on Philippine territory "consistent with the national interest." Should this provision be interpreted to require that the United States reveal the presence of nuclear warheads on its ships and aircraft, Washington would almost certainly leave the bases.

As the negotiations for renewal begin in early 1990, Manila's talking points seem to focus on the issues of joint use by the Philippine armed forces and an increase in United States imports and investments. If the bases are to be renewed, then the United States must demonstrate sensitivity to the moderates among Philippine nationalists. Washington stresses that the bases are the country's second largest employer, providing jobs for almost 80,000 Filipinos, and that they contribute \$1 billion

to the economy annually, approximately five percent of gross national product (GNP).<sup>12</sup>

The United States will also be asked to give the Philippines a greater voice in military operations from the bases in Southeast Asia while simultaneously helping to build the Philippine navy and air force so that they, too, can deploy from the bases for external defense.

The politically risky connection between the bases and Philippine nationalism was dramatically illustrated in the December, 1989, sixth and bloodiest coup attempt by military elements against Aquino's government. In the first days, an air attack against Malacanang Palace (the President's quarters) led to Aquino's request for United States military assistance. The Bush administration obliged by sending F-4's from Clark Airfield to fly cover over the Philippine air base from which the mutineers had flown. No fire was exchanged; but the tactic achieved its desired effect by keeping Philippine planes on the ground during the fighting.

While the United States Air Force action was a bold demonstration of Washington's commitment to the Philippine government and to the democratic process in that country, political costs related directly to the bases negotiations. First, the intervention of United States forces in an internal Philippine political situation was probably in violation of Philippine-United States defense arrangements, which prohibit United States involvement in domestic affairs. Second, the United States effort to help President Aquino put down the coup made her vulnerable to nationalist allegations that her government is a lackey of the Americans.

Ironically, these developments could negatively affect the future of the bases. To refute the nationalists' argument, the Philippine government might attempt to attach so many conditions to United States use of the bases that their operational utility will disappear. It is worth noting that if military considerations alone had driven United States policy, Washington might well have decided to let the coup play out without United States interference. If the plotters had won and installed a military-backed regime, renewal of the bases agreement would probably have been much easier. To its credit, the Bush administration acted in a broader political-strategic framework rather than a narrow military one.

## THE SINGAPORE GAMBIT

In recent years, Philippine officials like Foreign Minister Raul Manglapus have urged other ASEAN states to share the burden of United States bases. In August, 1989, Singapore became the first ASEAN member to accept the challenge, setting off

<sup>10</sup>A good discussion of these problems is found in Gregory P. Corning, "The Philippine Bases and U.S. Pacific Strategy" (a paper prepared for the annual meeting of the International Studies Association Section on Security Studies, Whittier, California, November 9-11, 1989), pp. 17 and 20.

<sup>11</sup>This argument was made by Larry Niksch of the Congressional Research Service in a paper to the Defense Intelligence College—U.S. Pacific Command Symposium, Honolulu, February 27-March 1, 1989, titled "U.S. Bases: Why They Are Important—How To Keep Them."

<sup>12</sup>*Philippine Daily Globe*, October 25, 1989, in FBIS, October 25, 1989, pp. 40-41.

a heated debate in ASEAN councils over the association's preferred regional security future. This debate reveals the persistence of disagreement on the role of outside powers as ASEAN's protectors.

By offering to host a modest United States naval and air presence—just when Australian and New Zealand forces left Malaysia and Singapore—Singapore's Prime Minister Lee Kwan Yew reaffirmed his belief that the United States military has maintained the balance of power for all the Pacific and has provided the stable security environment within which the region's members could concentrate on export-led economic growth. According to Lee, these achievements should not be lightly dismissed in an emotional wave of nationalism.<sup>13</sup>

Although ASEAN solidarity was ultimately restored with respect to the Singapore offer when officials clarified the fact that the facilities would provide for only a token presence of United States air and naval forces, the controversy demonstrated that neither Singapore nor Thailand had yet come to accept regional neutralization as Southeast Asia's preferred security posture.

For Indonesia and Malaysia (for whom the creation of a Zone of Peace, Freedom and Neutrality (ZOPFAN) for Southeast Asia had been declared policy since the early 1970's), the existence of United States bases in both the Philippines and Singapore would appear to be a regression from the goal of excluding the armed forces of all external powers. A United States air base in Singapore would be particularly sensitive, because aircraft leaving or landing on that island automatically overfly Indonesian or Malaysian airspace. More subtly, Indonesian and Malaysian leaders interpreted Singapore's offer as a way to align with the United States less out of concern about the Soviet Union than to protect Singapore from any future threats from its immediate Malay neighbors.<sup>14</sup> Moreover, two ASEAN locations for the nuclear-weapon-equipped United States Navy would make a mockery of the association's 1987 call for the creation of a Southeast Asian nuclear-weapon-free zone.

Indonesia was particularly exercised that Singapore's offer would derail Jakarta's plans to become the dominant security actor in the region and the coordinator of ASEAN defense planning.<sup>15</sup> Jusuf

Wanandi, director of Jakarta's Center for Strategic and International Studies, summed up Indonesia's dilemma by stating that his country wanted the United States to maintain a military presence in Southeast Asia but could not endorse long-term foreign bases in that region. Looking ahead, Wanandi foresaw the prospect of a joint United States-Japanese naval task force in Southeast Asia by the turn of the century as the American burden-sharing policy takes hold.<sup>16</sup>

By late 1989, the Singapore bases controversy had apparently been resolved. Singapore's offer had been redefined so that it merely formalized current practice, in which the United States Navy uses repair and bunkering facilities and the United States Air Force flies from Singapore in joint exercises.<sup>17</sup> Thus, ASEAN could state that there was no new bases arrangement in the region and no setback for ZOPFAN.

## INDOCHINA'S FUTURE

The key to Indochina's future relationship with ASEAN will appear in the political resolution of the Cambodian imbroglio. Vietnam's decade-long occupation of Cambodia (1979–1989) constituted the last vestige of the cold war in Southeast Asia, in which a Soviet client confronted an array of Western-oriented opponents grouped around ASEAN. Unlike the first two Indochina wars, however, the United States declined to commit significant resources to this struggle, deferring instead to both ASEAN and China.

However, Washington's lack of initiative has left unresolved a central policy conflict between ASEAN and China: the latter has been in no hurry to end the Cambodian war, seeing it as an opportunity to punish Vietnam for defying China's strategic interests and to insure that Hanoi remains economically anemic. ASEAN, on the other hand, has no hidden agenda against Vietnam. Once Vietnamese forces are verifiably out of Cambodia and a coalition regime incorporating at least some of Prince Norodom Sihanouk's resistance forces is established in Phnom Penh, the ASEAN states are prepared to normalize relations with Vietnam; to encourage international assistance for its recon-

*(Continued on page 130)*

<sup>13</sup>*The Straits Times* (Singapore), August 5, 1989, in FBIS, August 8, 1989, pp. 33–34.

<sup>14</sup>"Whistling Up a Storm," *FEER*, August 21, 1989, pp. 9–10; *Bernama* (Kuala Lumpur), August 28, 1989, in FBIS, August 29, 1989, pp. 45–46.

<sup>15</sup>See the editorial in *Jakarta Post*, August 8, 1989, in FBIS, August 11, 1989, p. 35.

<sup>16</sup>Author's interview, Los Angeles, September 9, 1989.

<sup>17</sup>*Bernama*, October 20, 1989, in FBIS, October 20, 1989, p. 36.

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*"Thailand today is fundamentally different from Thailand of a decade or two ago, when the military-dominated bureaucracy controlled society. Democratization and economic development have flourished; new groups have emerged; and a far more confident Thai society has evolved."*

## Change in Thailand

BY CLARK D. NEHER

*Professor of Political Science, Northern Illinois University*

**I**N 1932, when the absolute monarch in Thailand was overthrown and replaced by a constitutional monarchy, political power fell into the hands of a new class of elites from the bureaucracy and the military. Thailand's government was transformed into a bureaucratic military polity in which succession was determined by coups d'état rather than by heredity. The bureaucracy became the bedrock of political stability where political activity was conducted; and the military dominated the positions of power.

A central feature of this highly centralized and hierarchical bureaucratic military polity is clientelism, a system of superior-subordinate relationships between individuals or groups of individuals who command unequal resources. Within the bureaucracy, "patrons" who command resources attain power over "clients" who need those resources but have only limited access to them. Imbalances in control over resources bring about differences in power. Patron-client relationships reflect the importance of personal politics in Thailand.

The clientelist interpretation remains essential for understanding how political decisions are made and implemented in contemporary Thailand. Yet the Thai political system has changed in the past two decades and especially since the 1973 student revolt, when democratic procedures were introduced. The two most important changes are the growth of new interest groups, which play important political roles outside the bureaucracy, and the strengthening and legitimizing of formerly weak institutions like political parties and the Parliament. These changes have resulted in the gradual democratization of Thai politics, a shift from personalized, clientelist politics to institutionalized politics, and the weakening of the military's role in government affairs.

The most vivid sign of change in contemporary Thai politics is the rise to power of Chatichai Choonhavan, the first elected member of Parliament to become Prime Minister since 1976 (during the three-year democratic period). Chatichai be-

came Prime Minister after the July 24, 1988, parliamentary elections, when he was elected a member of Parliament from Khorat Province, representing the Chart Thai party. As leader of the party with the largest plurality in Parliament, Chatichai formed a coalition government of five leading political parties.

Chatichai's rise to power followed the eight-year administration of Prime Minister Prem Tinsulanond, a former Army commander in chief. Prem had led Thailand during a period of stability, economic growth and gradual transition to democracy. His refusal to run for a parliamentary seat and his close ties to the military, however, had blocked the movement toward a more complete democracy. After the 1988 election and contrary to expectations, Prem turned down an invitation to continue as Prime Minister, thereby creating the opportunity for Chatichai to accept.

The smooth transition from Prem to Chatichai reflected a new optimism about Thailand's evolution toward democracy. Chatichai was viewed as a civilian politician, the leader of a major political party who had legitimately assumed power without relying on the military. For the time being, the political system had fashioned acceptable and workable constitutional procedures for the transfer of political power.

Although Prime Minister Prem had no party affiliation, he had been supported by a coalition of parties, by leading bureaucrats and military officers and, indirectly, by the King. His refusal to accept another term as Prime Minister resulted from the fact that his critics, from the general population and from all areas of political life, were increasing in number. Prem's aloof personality, his commitment to the status quo and his refusal to stand for election had led to increasing criticism of his leadership.

The 1988 parliamentary election featured 3,600 candidates vying for 357 seats in the House of Representatives, the only elected house of the two-chamber Parliament. In a significant triumph, compared with the 1986 election, the Chart Thai party increased its seats from 63 to 87. The once



dominant but later factionalized Democrat party dropped from 100 to 48 seats, while the Social Action party moved from 51 to 54 seats. These three parties, plus the Rassadorn party and the United Democratic party, constituted the new coalition.

Most political commentators speculated that Chatichai's tenure as Prime Minister would be short-lived. Although he had outstanding credentials, having served as Deputy Prime Minister, minister of industry and foreign minister in previous Cabinets, his reputation was that of a gregarious big-business playboy who did not possess the *baramee* (charismatic admiration) needed for the highest position in the government.

In his first year in office, Chatichai faced difficult challenges within his coalition when dissident factions threatened to abstain from or oppose the administration. Because members of the coalition had long been adversaries, politicians often found it difficult to work cooperatively and to allocate the privileges in ways satisfactory to all. The parliamentary opposition called for a no-confidence vote against Chatichai's coalition, but all Cabinet members survived (despite some defections from the coalition). Chatichai's personal popularity and the reluctance of coalition parties to face the expense of another election kept factionalism from bringing down the government.

Chatichai buoyed his popularity by raising the salaries of all government officials, by increasing the minimum wage throughout the kingdom, by stopping logging concessions and encouraging reforestation, and by presiding over the continuation of high rates of economic growth. The logging decision was particularly dramatic because conventional wisdom suggested that neither the Cabinet nor the Parliament would ever agree to ban an industry in which many political and military elites had major economic interests. Newspapers praised the decision as courageous and in the best interests of the country's future, given the environmental damage caused by deforestation.

In November, 1988, more than 300 Thai villagers in the south were killed by landslides resulting from denuding the mountain forests. Although the government has yet to show that it can control illegal encroachment in the remaining forests, the ban was a first step in restoring the ecological damage.

After assuming his new position, Chatichai moved quickly to consolidate his administration by appointing influential politicians and business leaders to the Cabinet. His reputation for being in league with big business interests grew when he appointed wealthy industrialists to Cabinet positions that controlled the nation's economic policies. He shored up military support by giving Army Com-

mander in Chief Chaovalit Yongchiyut a free hand in determining military policies and personnel decisions, although Chatichai had appointed himself minister of defense. Chatichai had important contacts with leading military officers because 30 years earlier he had retired from the military, where he had reached the rank of Army general.

## INNOVATIVE POLICIES

In a stunning series of innovative policy proposals, Chatichai enhanced his *baramee* and his reputation as a master politician. He shifted the nation's strategy for dealing with Indochina, calling for better relations with Vietnam and for turning it as he said, "the Indochinese battleground into a trading market." His call for increased trade with Vietnam and his invitation to Cambodian Prime Minister Hun Sen to visit Bangkok reversed Thai foreign policy, which had long opposed the normalization of relations with either Cambodia or Vietnam.

Chatichai also moved to improve ties with Laos after decades of intermittent border skirmishes and diplomatic conflicts. He played a prominent and popular role in determining the nationalist response to United States demands for resolving the controversy over intellectual property rights, as well as other trade issues. His openness and willingness to embark on new strategies and policies, in contrast to Prime Minister Prem's conservatism, became the basis of broad support for his administration.

Despite these achievements, the Chatichai administration faces challenges to its stability. General Chaovalit's accusation that the Thai government is corrupt was heard by many Thais who were skeptical about the administration's professed concern for the majority who had not profited from the economy's high growth rates. Many Thais viewed the new administration as primarily concerned with industrial interests. The selection of private business and industrial leaders to direct the National Economic and Social Development Board, the principal policy-making body for economic development, was cited as an example of a shift away from trained technocrats to self-interested financiers.

A second challenge concerns tensions within the coalition, where there is bitterness over the allocation of Cabinet positions and policy directions. The fact that much of the popularity of the administration is focused on Chatichai personally has also become a source of discontent among leaders of coalition parties. Although votes of no-confidence have not succeeded, a minority of coalition members have on occasion defected, raising the possibility that Chatichai will dissolve the government. The continued existence of coalition factionalism is a



reminder that personal politics remains significant in Thailand.

Continuing the economic boom while controlling inflation is the third challenge faced by the Chatichai administration. Much of the popularity of the present administration rests on satisfaction with growth rates that place Thailand among the fastest growing economies of the world. The 1989 growth is projected to match the remarkable 10–11 percent rate of 1988. The interdependence of the Thai economy with the international capitalist system, however, places Thailand more and more at the mercy of unpredictable outside forces.

## INTERNAL THAI POLITICS

The new politics of contemporary Thailand is characterized by the strengthening of the role of political parties and the Parliament. The elites who dominate policy-making have come increasingly from both institutions. Chatichai's Cabinet (with one exception), for example, consists of party leaders who were elected members of Parliament. Whereas, in the past, political parties were little more than public relations groups for particular political personalities, a stable and more institutionalized party system, with a more or less coherent set of programs designed to win votes, began to emerge in recent parliamentary elections.

At the provincial level, individual effort and finances remain crucial. However, party policies and reputation act as a determinant of voting behavior for a growing number of citizens. Moreover, the organizational apparatus for the major parties remains intact since the election and plays an important role in the strategies of both the ruling coalition and the opposition. In the past, political party organization was a one-shot effort for a specific election. The major parties have tried to build a long-term link with the citizenry and to sustain party discipline in order to maximize the party's influence vis-à-vis the Prime Minister and the Parliament. Eleven parties are represented in the new Parliament, compared with 13 in 1986.

The Parliament has also strengthened its role in Thai politics and can no longer be considered peripheral to decision-making. The transition to a greater role began under Prem, when the Parliament moved independently, particularly on economic matters. The increase in the number of business executives elected to the Parliament is one reason for Parliament's greater interest in economic development issues. A constitutional amendment not yet passed as of 1989 making the speaker of the House of Representatives the president of Parliament after the next general election would enhance the reputation of the Parliament. Because the Senate is an appointed body and, traditionally, has

been dominated by the military, the amendment certified the importance of the elected body.

One sign of Parliament's higher standing has been the reduced criticism of members of Parliament by military leaders. In 1987, Army Commander in Chief Chaovalit had criticized the members of Parliament for putting self-interest before the national interest and devoting their energies to obtaining Cabinet portfolios. He was also scathing in his criticisms of political parties, to which he referred as business concerns run by merchants. Because General Chaovalit is preparing to enter the political arena, possibly as a candidate for a parliamentary seat, and because former military generals are finding a political role for themselves in the Parliament, criticism by the military has declined. Prime Minister Chatichai's popularity has also mitigated military criticism of Parliament, the Cabinet, political parties, and other institutions viewed as part of Chatichai's administration.

The Thai military continues to play a significant role in almost every aspect of Thai political life. Yet circumstances have reduced the once-dominant status the military enjoyed when army officers held the major positions of power and dictated government policy. Success in countering the insurgency that plagued Thailand in the 1960's and the 1970's and the lack of major threats to Thai security have undermined the military's claim to indispensability. No major crises in foreign or domestic affairs have given the military a persuasive pretext for intervention. Two military coup attempts, in 1981 and 1985, were never serious threats.

The strengthened role of political parties and the Parliament, and a general attitude more favorable to democratic civilian rule, especially among the politically aware, have also reduced the military's influence. The fact that Prime Minister Chatichai has given the armed forces a free hand in personnel matters, provided generous budgets to all branches of the military and supported the army's development projects has also mollified the military. Perhaps most important, the potential opposition of the King to a military coup has greatly reduced the chances of a successful coup.

Reacting to the view that neither internal nor external security threats are menacing the Thai "Nation, King, Religion" and that the regional situation has changed from confrontation to "peaceful coexistence," General Chaovalit has initiated a comprehensive modernization program to streamline the army. Following the Indonesian model, with the army playing a developmental as well as a security role, he has launched civil development projects in all four regions of the country manned by army units. The most prominent project, "Green Northeast" (*Isaan Khiaw*), is designed to improve ir-

rigation and reforest denuded hillsides in Thailand's most impoverished region. The army's "New Hope" (*Harapan Baru*) projects in the southern provinces have also been designed to legitimate the military's role as chief developer of the kingdom. Neither project has yet achieved its stated development goals.

The military's projects in the southern region have stirred the most controversy because the army has criticized local officials there for ineffectively governing areas where Muslims are a prominent minority (or even a majority). Civilian officials see the army program as interference in their affairs. Prime Minister Chatichai has chosen not to intrude in the controversy, except to provide economic support to these programs.

Military leaders continue to be involved in foreign policy matters. Under General Chaovalit's direction, military spokesmen have set forth the concept of *Suwanabhum*, "Golden Land," referring to mainland Southeast Asia, with Thailand as the center of development in the area. This concept, which provides a manifest-destiny role for Thailand (to emerge as the centerpiece of an economically flourishing region, devoid of ideological confrontation), has been attacked by members of Parliament and the Prime Minister's advisory council as chauvinist and potentially exploitative. Despite the criticism of both the development projects and *Suwanabhum*, General Chaovalit has been allowed to continue these policies without restriction.

To make it clear that they were still a potent force in Thai politics and would not accept government action that they deemed intolerable, the top military officers showed their strength after a controversy set off by a speech of General Chaovalit's and then a speech of Professor Sukhumbhand Paribatra's, a famous scholar of international relations and an adviser to Prime Minister Chatichai. Chaovalit had referred to an article in an American magazine, *Pacific Report*, which placed Thailand ninth in the ranks of nations plagued by corruption. Chaovalit charged that government officials were steeped in corruption. In response, Professor Sukhumbhand noted that "anyone who says the government is 90 percent corrupt should clean up his own act first." He also suggested that the army's most prestigious academy should overhaul its curriculum to make it more appropriate for the new era of democracy in Thailand.

Sukhumbhand's challenge and "interference" were attacked by a group of 1,000 high-level military officers, who assembled to demand Sukhumbhand's ouster from the Prime Minister's official advisory council. Sukhumbhand's remarks, calling for the depoliticization of the military, were said to be offensive and damaging to General Chaovalit's

reputation and to the Thai military. Prime Minister Chatichai accepted Sukhumbhand's resignation thereby affirming the army's continued power and raising questions about the government's commitment to those liberties regarded as an essential part of democratic government.

The military's actions were also seen as an attempt to undermine the status of the advisory staff, a group of young professors who have played an important role in fashioning Chatichai's policy agenda. Sukhumbhand, for example, was the architect of the Prime Minister's surprise initiative to improve relations with the Indochinese nations. From a military perspective, these advisers (including the Prime Minister's son) are "radicals" who oppose the military.

The most visible of the new groups entering the Thai political system is the business community whose members are found in increasing numbers in the bureaucracy, in Parliament and in positions of leadership in political parties. In the past, the predominantly Sino-Thai business community focused on the economic sphere, leaving politics and the bureaucracy to ethnic Thais. However, business interests have become increasingly involved in politics because of the remarkable degree of Sino-Thai assimilation, the expansion of the middle class, the new importance of technocrats in the running of ministries, the realization by business groups that government policies can and do affect the economy, and access to needed campaign funds. This new involvement is one of the most dramatic changes in modern Thai politics.

The rising importance of business elites in Thai politics has led some commentators to refer to Thailand as a "bourgeois polity," in contrast to a "bureaucratic polity," a term used since the 1932 revolt to describe the Thai political system. The new Thai politics involve numerous extra-bureaucratic groups, many stemming from the expanding middle class and typified by business interests.

The kingdom is not yet a full-fledged bourgeois polity because the military continues to play a substantial role in determining government policy. In addition, King Bhumipol Adulyadej, who celebrated his forty-third year on the throne in 1989, is the ultimate arbiter of Thai politics. Theoretically

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*"In 1989, Burma changed more than the name of the state; but the rate of change has been unsatisfactory for its most severe critics, who hoped that the country would be remade overnight after the demonstrations of 1988. . . . The realities of the politically possible have begun to emerge."*

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# The Evolving Military Role in Burma

BY ROBERT H. TAYLOR

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ON June 18, 1989, the present military government of Burma, the State Law and Order Restoration Council (SLORC), issued a ruling that henceforth the official name of the country (in English) would be Myanmar.<sup>1</sup>

Myanmar is a transliteration of what has been the official name in Burmese since independence. The change follows earlier orders renaming many streets and other geographical places (as well as ethnic terms of colonial derivation) with words of local provenance. Towns and districts with names transliterated into English in the colonial pattern, like Rangoon, were renamed in a more direct transliteration; thus Rangoon became Yangon.

One may ask whether these changes are mere tinkering with external forms while the serious economic and political problems of the country, so dramatically revealed during the political upheavals of 1988, continue to be ignored, or whether they are symptomatic of a new approach to governing after 27 years of one-party socialist government under the Burma Socialist Program party (BSPP) and its military founders, including former General Ne Win. The government insisted that they were part of a new beginning. Since Burma was a name derived from the term for the largest ethnic community, the Burmans (or Bama), and since Myanmar can be interpreted to imply no ethnic connota-

<sup>1</sup>SLORC came into existence on September 18, 1989, when the military deposed the short-lived government of Maung Maung, after widespread urban demonstrations and strikes by civil servants. SLORC reimposed military control over the entire country and has governed directly since then. It is composed of military commanders from the divisional commands as well as central military structures. The chairman of SLORC, General Saw Maung, is the former head of the army, while its other leading figure is Brigadier General Khin Nyunt, one of the SLORC secretaries and the head of military intelligence.

For an account of the events of 1988 that set the stage for current developments, see David I. Steinberg, "Crisis in Burma," *Current History*, April, 1989, pp. 185-188 and 196-198. See also Moksha Yitri, "The Crisis in Burma," *Asian Survey*, vol. 29, June 1, 1989, pp. 543-558. For a summary of the economic crisis leading up to these events, see Tin Maung Maung Than, "Burma in 1987: Twenty Five Years after the Revolution," in *Southeast Asian Affairs 1988* (Singapore: Institute of Southeast Asian Studies, 1988), pp. 73-96.

tions, the new name is evidence of a new approach to thinking about the problem of national unity in an ethnically diverse society that has been plagued by ethnic separatist movements and insurgencies since 1948.

To many of the government's domestic and foreign critics, the change of name was only camouflage for politics as usual. They argue that the military coup of September 18, 1988, was a phony. Power had not changed hands because the BSPP had been an instrument of the army and General Ne Win and the coup merely removed the discredited party from the formal structure of power. Furthermore, critics argue that unless a civilian government is established, new policies not intended primarily to serve the interests of the army officer corps are impossible. This, of course, was the basis of politicians' demand during the 1988 demonstrations for the establishment of an interim civilian government to hold national elections for a new order.

Both the military government and its critics agree that a new social and political order is needed in Burma in view of the failure of any government since independence to implement economic, social and other policies effectively to develop the country's human and material resources. How to establish a new relationship between the state and society was at the heart of politics in 1989. In the face of extensive foreign and domestic criticism, the military government has pursued its program with a single-minded determination to develop a different economic order, while ensuring that political liberalization takes place in an orderly environment. The nature of that order will be determined by the military, and this is what causes deep distrust and dissent. The army has yet to re-establish all the respect that it had once gained; only if it maintains its program of reforms, including holding elections in May, 1990, will the army begin to restore its popular credibility.

## POLITICAL CHANGE?

After 27 years of military, one-party rule, 1989



was distinguished by a greater degree of open public political discussion than had been experienced for many years. People felt freer to discuss political matters. During the first half of the year, many students returned from the border areas where they had fled after the September, 1988, coup. More than 200 political parties were registered with the Election Commission and hung out their signboards; and the political atmosphere seemed to be moving toward multiparty democracy and perhaps even toward more open government. The new government held press conferences and ministers even made themselves available for interviews with the international press.<sup>2</sup>

The internal rivalries of leaders in the largest party, the National League for Democracy (NLD), gave observers a sense of déjà vu; it seemed that the splits among civilian leaders that had occurred during the 1950's were being repeated even before the party was in a position to take power.<sup>3</sup> Daw Aung San Suu Kyi, the internationally known and newest popular civilian leader, went on campaign tours and demonstrated the popularity of open politics among large segments of the population.

However, during the second half of the year there was increased criticism of the army, based on the allegation that the army was functioning as a personal army of the former ruler Ne Win—criticism the officer corps viewed as designed to split the army. The government then introduced a number of measures that restricted the activities of political parties.

<sup>2</sup>The government almost never held press conferences between 1962 and 1988. Now, press conferences have been reprinted in a series of volumes by the Information Committee; for example, see comments made by the chairman of SLORC in *General Saw Maung's Addresses and Discussion with Foreign Correspondents* (Rangoon: News and Periodicals Enterprises, 1989).

<sup>3</sup>The NLD, which emerged during the 1988 demonstrations, suffered a serious fissure early in 1989 when one of the joint founders, former Brigadier General Aung Gyi, was expelled as chairman after he accused the other founder, Daw Aung San Suu Kyi, of being surrounded by alleged Communists.

<sup>4</sup>Martyr's Day marks the assassination of General Aung San and other members of the Governor's Council on July 19, 1947.

<sup>5</sup>See Amnesty International report ASA 16/23/89, "Myanmar (Burma): Prisoners of Conscience, A Chronicle of Developments Since September, 1988," November, 1989. Most of the individuals arrested were classified as students and came from legally registered parties and non-registered groups thought to be allied with the NLD, if not members of the NLD.

<sup>6</sup>SLORC has produced several lengthy documents explaining the nature of the political challenge that the government faced in 1988 and 1989. The government argues that the upheavals of 1988 were being used by the Burma Communist party to seize power by infiltrating the organizations of the demonstrators. See the published statements of SLORC's secretary, Brigadier General Khin Nyunt, published by the News and Periodicals Enterprise, Rangoon, in 1989.

<sup>7</sup>Aung Gyi had been a participant in the 1962 coup that ousted Prime Minister U Nu and ended civilian government. However, he resigned within a year and was later arrested.

Under the martial law restrictions imposed after the coup, meetings of more than four people had been banned and the publishing of political materials had been subject to censorship.

However, these restrictions were often breached by Aung San Suu Kyi and some of her followers, who had been organizing semi-spontaneous rallies and demonstrations in Rangoon. In mid-July, Aung San Suu Kyi declared that she would not participate with the other relatives of assassinated leaders at the annual Martyr's Day ceremony on July 19.<sup>4</sup> Rather, she would walk in a separate procession and lay a wreath as a private person. Although she stated that she was protesting the absence of SLORC chairman and Head of State General Saw Maung, she was also motivated by an opportunity to hold a public display of her political following in circumstances that would embarrass the military government. The government viewed this as a challenge to the army's authority; Rangoon was placed under extremely tight military control; and Aung San Suu Kyi was forced to cancel her march.

The following day, she was placed under house arrest, along with the general secretary of the NLD and former General Tin Oo, the League's chairman. Other NLD leaders were subsequently detained on a variety of charges. Although the government denied claims of political oppression, the arrests received wide publicity abroad and it was alleged that several thousand persons were under detention.<sup>5</sup> After controls were tightened on the political activities of the most vocal opposition, the government announced that individuals under arrest would not be permitted to participate in the forthcoming elections.<sup>6</sup>

Having isolated its most articulate critics, the military government allowed other parties to develop if they were willing to operate under the new rules. These include the National Unity party (NUP), which is descended from the former BSPP and is led largely by former ministers and retired officers. Many observers feel it will do well in the elections. Other groups, less tied to the old order, are also continuing to prepare for the 1990 elections. These include the United National Development party, led by former General Aung Gyi, and other smaller organizations led by former politicians or representing particular ethnic or regional communities.<sup>7</sup>

The government has also promised to broaden campaigning rights for candidates in the three months before the elections, including access to the government press, radio and television. The elections are to select a new national assembly (*Pyithu Hluttaw*) but it is not clear how and when the military will pass power to a government formed under the elected legislature. Whoever wins the election,



the outcome will most certainly be one acceptable to the military.

The political events of the past year have their parallels in transitional periods in other Southeast Asian states, and while the high hopes of the leaders of the 1988 protests have not been realized, in certain respects these events have moved away from the very constricted politics of the previous three decades.

The future role of the military remains an open question. The officer corps has agreed that multi-party elections should again become the norm of Burma's political system; but no one familiar with Burma's political history expects the military to abandon all its administrative and political functions after the formation of a new government. The continuing insurgencies in peripheral areas, the deep involvement of military personnel in a variety of government economic and social enterprises, and the military's own ethos formed over 40 years of experience makes such a prospect unlikely.<sup>8</sup>

## ECONOMIC REFORM

The underlying economic crises that led to the political upheavals of 1988 have been tackled with greater determination than displayed by Burma's government for many years. The legacy of the last 40 years, however, cannot be eliminated overnight, and the bureaucracy is only slowly learning to adapt to market-oriented requirements. The government, with the help of the United Nations Development Program, is attempting to rejuvenate the entrepreneurial skills of the private sector, but inhibitions like the high value of the national currency, the *kyat*, for example, hamper results.

A crucial step toward a new, open economic policy came in late 1988 when the government promulgated a foreign investment law. The law permits foreign investors to form either wholly owned enterprises or joint ventures in which the foreign partner is required to hold a minimum 35 percent stake. Investments that favor exports are encouraged.<sup>9</sup> So far, several joint ventures have been established, largely for trading purposes, with corporations under the Ministry of Trade in collabora-

tion with private sector firms in Malaysia, Singapore, Thailand and South Korea. As a means of mobilizing domestic capital, government-private joint venture firms allow Myanmar nationals to invest in new manufacturing and trade organizations. The Burma Chamber of Commerce and Industry, which lapsed during the socialist period, was reformed early in 1989.

The government has also opened trade with the outside world. Border trade with China has grown rapidly as has officially sanctioned trade on the border with Thailand. This has undermined the major revenue sources of the insurgent smuggling bands who have monopolized the black market supply of goods for the past 25 years. In the long term, this will undercut the rebels' ability to maintain their armies, while enhancing the revenues of the government. The government has entered into off-shore fishing agreements with Japanese, Thai, Malaysian, Hong Kong, Singaporean and South Korean firms. Under licensing agreements, it has permitted Thai firms to fell teak for export to Thailand. These short-term agreements were reviewed at the end of 1989, and the Thai fishing contracts were renewed under new conditions.

But the most significant change in economic policy, and the one most likely to have long-term implications for the health of the economy, was the granting of onshore oil exploration and joint-production agreements to South Korean, Japanese, Australian, American, British and Dutch firms in the latter part of 1989. These agreements provide for five-year exploration periods followed by 20-year production periods. It is widely believed that Myanmar possesses significant reserves of oil and early development will give the economy an immediate cash boost, thus solving many of the government's short-term financial problems. It is also believed that Myanmar possesses significant and easily exploitable deposits of minerals, which, if developed, will provide another large boost to the country's finances. Bidding for exploration rights to offshore oil and gas fields was under way at the end of 1989.

Other steps toward stimulating economic growth centered on plans to build new tourist hotels and to increase the number of entry points for tourist travel from Thailand and Malaysia. At the end of 1989, plans were afoot to develop new air links to Taunggyi and Mandalay. Coca-Cola was also planning to develop bottling operations in the country for the first time. The Austrian firm IAEG is planning a U.S.\$110-million construction project for five-star hotels in Yangon (Rangoon), Mandalay and Bagan (Pagan).

Short-term economic problems, however, have yet to be resolved and continue to fuel public

<sup>8</sup>For an overview of these developments, see Robert H. Taylor, "Burma," in Zakaria Ahmad and Harold Crouch, eds., *Military-Civilian Relations in South-East Asia* (Singapore: Oxford University Press, 1985), pp. 13-50; and the author's *The State in Burma* (Honolulu: University of Hawaii Press, 1987).

<sup>9</sup>"The Union of Burma Foreign Investment Law" was issued on November 30, 1988. "The State-Owned Economic Enterprises Law," promulgated on March 31, 1989, specifies the economic activities restricted to government-owned entities. However, even in several restricted spheres, joint venture operations are encouraged. See the Union of Burma Foreign Investment Commission, Notification No. 1/89, "Types of Economic Activities Allowed for Foreign Investment," issued May 30, 1989.

discontent. Inflation remained high throughout 1989, with estimates ranging as high as 40 percent. In some vital consumer sectors, like rice, the rate was probably higher early in the year, but rice prices began to fall toward the end of 1989 as the new crop started to enter the market. Recognizing that inflation had largely reduced the value of many government employees' wages during the previous decades, the government granted the first pay rise since 1974 on April 1. Daily wages were nearly doubled, but higher-paid civil servants received less generous increases.

The underlying international crises of the economy, which played a large part in creating the conditions for the economic collapse of 1987-1988, were only partially resolved in 1989. Myanmar's foreign debt stood officially at U.S.\$4.348 billion at the end of 1987, and the debt-service ratio (total long-term debt service as a percentage of the export of goods and services) had reached 59.7 percent.<sup>10</sup> Because the country undertook no new debt since then, any worsening was the result of difficulties in servicing current obligations and increasing interest charges. No new aid commitments have been made by previous major donors, including Japan and West Germany, although Japan and Australia disbursed some funds previously credited. In discussions in Tokyo with Colonel D.O. Abel, the minister of planning and finance and the minister of trade, in November, Japanese officials made it clear that they would be willing to make new commitments, but that these were conditional on the outcome of the May, 1990, elections. Other potential donors in the European Community (EC) were taking a more conditional attitude than Japan.

## BORDER INSURGENCIES

Despite economic and political problems in the central regions of the country, the army has been able to continue its armed assaults on the major camps of the various insurgent groups that have plagued it for most of the years since independence. The most dramatic change in the situation came in mid-1989 when a major manpower source of the Burma Communist party (BCP), the Wa people living along the border with China, revolted against the leadership of the party and drove them from their region. This gave the government an oppor-

tunity to reassert control over the area and it responded quickly by establishing a border development committee along with a program for providing government services there.

In March, the government reported that its major armed opponents (other than the BCP) were the Karen National Union (KNU), with an estimated 3,500 armed troops, and the Kachin Independence Army (KIA), with 2,700 troops. The other eight ethnically designated insurgent forces were thought to number from 30 to 800 men each. The KNU linked students and other dissidents who had fled the capital after the 1988 protests; it was estimated that about 1,000 members of the All-Burma Students Democratic Front had joined the KNU, which has become the focus of the Democratic Alliance of Burma (DAB), the major new opposition organization. It is difficult to verify these figures and other sources provide higher estimates.<sup>11</sup> The government's army is believed to have grown from about 186,000 men in 1987 to about 200,000.

Much of the army's campaigning during 1989 was directed toward the KNU's camps along the border with Thailand. Following major attacks on the KNU at Maethawaw during the latter part of 1988, the government recaptured Mawpokay on March 24. This offensive followed a period when KNU forces fired rockets into the town of Myawadi and killed a number of residents in late February and early March, forcing more than 1,000 residents to flee toward the Thai border. KNU forces invaded Myawadi in April, apparently as a result of further government victories at Me-la, which had been a major stronghold of the insurgents. Government forces crossed into Thailand in May while pursuing enemy forces; this led to a meeting between the commander of the Burma army, Lieutenant General Than Swe, and the deputy supreme commander of the Thai army. The Burma army undertook to ensure that its troops did not cross the border in the future, and a joint military border committee was established to regulate activities on both sides. The Thai military has apparently taken an increasingly cooperative attitude toward the difficulties the Burma army faces, in part because of improved general relations between the two countries.

## THE OUTSIDE WORLD

Burma's relations with the outside world have undergone various permutations since 1988. After

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<sup>10</sup>World Bank, *World Development Report 1989* (Oxford: Oxford University Press, 1989), table 23, p. 208. Other sources place the figure at U.S.\$5.9 billion. See Organization for Economic Cooperation and Development, *Financing and External Debt of Developing Countries 1988 Survey* (Paris: OECD, 1989).

<sup>11</sup>*The Military Balance, 1988-1989* (London: International Institute for Strategic Studies) estimated the BCP to have had 10,000 troops before the Wa revolt, the KIA to have had 8,000, and the KNU and the major Shan rebel group to have had 4,000 each.

**Robert H. Taylor** is the author of *The State in Burma* (Honolulu: University of Hawaii Press, 1987) and *Marxism and Resistance in Burma, 1942-1945* (Athens, Ohio: Ohio State University, 1984).

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*By December, 1989, "the Cambodians were clearly not in a bargaining mood and were intent on pressing their perceived advantages on the battlefield. . . ."*

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## Cambodia: Diplomacy Falters

BY LEWIS M. STERN

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**I**N 1989, the governing structures of the People's Republic of Kampuchea (PRK), which rechristened itself the State of Cambodia (SOC) in mid-year, undertook modest organizational changes and ministerial-level personnel shifts during the year, and put into place the legislative paraphernalia required to run an economic reform campaign.\* However, the same faces exercised undiminished control over the highest levels of decision-making in a manner that blunted the meaning of the liberalizing reforms. The People's Revolutionary party of Kampuchea (PRPK) remained an urban structure, with only a shallow presence in the countryside. Led by inexperienced and unqualified officers, the PRK's armed forces continued to focus on incremental structural improvements and on strengthening the development of militia and local forces, rather than main force expansion.

The principal threat to the Phnom Penh government was posed by the armed forces of the Democratic Kampuchean (DK) faction of the tripartite anti-Vietnamese Coalition Government of Democratic Kampuchea (CGDK). The DK (the Khmer Rouge [KR]) was the best organized, best armed and best led of the forces arrayed against the Vietnamese army and its client regime in Cambodia. The two non-Communist Resistance (NCR) partners in the CGDK—the Khmer People's National Liberation Front (KPNLF) and the national army of former Head of State Prince Norodom Sihanouk—increased their fighting ranks and retained their basic strategic approach to internal operations during much of 1989, focusing on political actions and limiting contacts with adversaries until the last quarter of the year.

Subsequently, in the aftermath of Vietnam's withdrawal of what it claimed were the last 26,000 troops of the People's Army of Vietnam in Cam-

bodia, the NCR challenged the PRK forces in the vicinity of Svay Chek.

The momentum of diplomatic efforts to negotiate a solution to the Cambodian conflict quickened in 1989, beginning with a series of unprecedented regional bilateral contacts during January between Thailand and Vietnam, Vietnam and China, and Thailand and the PRK. The second Jakarta Informal Meeting (JIM) in February, Vietnam's April announcement of a self-imposed September deadline for withdrawal of its military forces from Cambodia and the Sino-Soviet summit in mid-year sustained regional and extra-regional interest in convening an international conference. It was hoped that this conference would establish a framework for an interim coalition and would obtain international guarantees of support for a free election, the cessation of external military support and the creation of a neutral Cambodia.

The Paris conference, which convened in August, was unable to resolve the intractable issue of "power sharing," the calculus by which the four competing Cambodian factions would form an interim coalition government. The conference adjourned without an agreement among the Cambodian parties and Vietnam on the role of the United Nations in the establishment of an international peacekeeping force and the modalities of a ceasefire.† As the wet season came to an end in October and November, the Cambodian resistance forces turned again to the battlefield.

During the course of 1989, the regime took steps to empower the government to act in a more independent, uncensored manner without the overbearing Politburo veto. The regime placed a premium on distinguishing the party's role in defining policy from the administrative structure's responsibility as the primary implementing agent. Phnom Penh sought to strengthen the hand of the mass organizations as vehicles through which social groups and sectoral interests could participate more directly and actively in the political process. Additionally, the National Assembly took a more activist role in formulating reformist legislation and sponsoring constitutional reforms.

The sixteenth session of the National Assembly in February favored a more vigorous role for the

\*The views expressed in this paper are those of the author alone and do not reflect the official policy or position of the Department of Defense or any portion of the United States government. This article was completed using information available up to December 15, 1989.

†Editor's note: On January 16, 1990, the UN Security Council (including China) agreed that the UN should send a peacekeeping force to Cambodia and oversee free elections. For further details, see *The Month in Review* in this issue.



Parliament. In his speech on the final day of the six-day session, National Assembly chairman Chea Sim urged a leaner, more effective leadership and a bureaucracy with more precisely defined authority and "fewer cadres, fewer formalities, but greater effectiveness." The parliamentarians stressed the importance of new laws in guiding the reform of land tenure, solidarity production groups and taxation. The National Assembly also took a more active role on selected social issues, urging the Council of Ministers to devise practical solutions to urban housing shortages, for example. Finally, the Assembly demonstrated its willingness to tinker with the government's structure through proposals for amending and improving the ministerial bureaucracy.<sup>1</sup>

In late March, the State Council issued a decree on the establishment of a "Commission for Amending the Constitution of the PRK." The Commission, which was formed under Chea Sim's chairmanship and included two overseas Cambodians as vice chairs—In Tam, a former Lon Nol general, and Pung Peng Cheng, Sihanouk's former chief of Cabinet—was an attempt to accommodate Sihanouk's demands for constitutional changes as the prerequisite for further discussions with Cambodia's Chairman of the Council of Ministers Hun Sen.

An extraordinary session of the National Assembly convened from April 29 to May 1; it renamed the country the State of Cambodia, designated Buddhism as the national religion, declared Cambodian foreign policy to be based on neutrality and nonalignment, abolished the death penalty, altered the national flag and guaranteed citizens the right to a legal defense. Follow-up sessions clarified and expanded the meaning of these amendments.

A mid-May meeting of the Council of State ac-

corded the Chairman of the Council of State the concurrent roles of head of state, supreme commander of the armed forces and chairman of the national defense. An early May circular by the Kampuchean United Front for National Construction and Defense (KUFNCD) empowered the ordination of monks in accordance with a January, 1989, party central committee pronouncement on the necessity of preserving Buddhism, subject to official permission and KUFNCD concurrence. In June, the regime pardoned 100 political and common law prisoners.<sup>2</sup>

The seventeenth session of the First National Assembly was convened in mid-July, and adopted a raft of draft bills and proposals concerning ministerial restructuring, import-export taxation reform, and changes in civil law including marriage and family law, the rules governing foreign investment and legal procedures for criminal courts. According to official accounts, the Assembly members discussed granting expanded rights to provincial governments and endorsed the economic reforms. In September and October, the regime began preparations for convening an extraordinary National Assembly session to discuss the timing of a national election.

In 1989, the regime continued to place a premium on the expansion of mass organizations. Key leaders reiterated their endorsement of a comprehensive "national reconciliation policy," calling for the blending of workers, intellectuals, ethnic groups and clergy into organized citizen groups that would participate in national politics and assist the expansion of commune and village units. At the fourth national conference of the KUFNCD, held in late January, Front Secretary Ros Chhun emphasized the broadening of the united front and endorsed the formation of a "rational structure at all levels," an integration of front structures into district, township and grass-roots administrative bodies.<sup>3</sup>

The regime patted itself on the back for reviving Buddhism, repairing pagodas, publishing and broadcasting sermons, breathing life into the Buddhist Association and reviving Cham religious practices. A research group was established under KUFNCD auspices to sustain such government-sponsored activities. In January, Prime Minister Hun Sen apologized for government "mistakes" toward religion in a speech to monks at a Kampot City pagoda. Several weeks after the April National Assembly vote that restored Buddhism as the national religion, the government decreed that Buddhist followers could be ordained as monks. However, pagoda schools remained in the hands of the Ministry of Education. The pre-1975 responsibilities for running local self-help and education programs were not restored to the pagodas, and the

<sup>1</sup>Phnom Penh SPK (Samleang Pracheachon Kampuchea, Voice of the Kampuchean People) in French, February 13, 1989, in Foreign Broadcast Information Service, *East Asia Daily Report* (hereafter cited as FBIS), 89-029, February 13, 1989, p. 42. See also Michael Vickery's two-part article in *The Nation* (Bangkok), February 5, 1989, p. 7, and February 12, 1989, p. 7. The National Assembly proposed the establishment of positions for assistant counselors for strategic and economic research. Those counselors were to be assigned to the Council of Ministers. See Phnom Penh SPK in French, February 13, 1989, in FBIS, 89-028, February 13, 1989, p. 42.

<sup>2</sup>This account is based on information in FBIS between March 24 and June 15, 1989.

<sup>3</sup>Phnom Penh Domestic Service in Cambodia, July 21, 1989, in FBIS, 89-141, July 25, 1989, pp. 50-51. The Assembly elected Mrs. Pung Peng Cheng, an overseas Cambodian, to membership in the Council of State and appointed her Assistant Minister to the Chairman of the Council of Ministers. Phnom Penh Domestic Service in Cambodia, July 21, 1989, in FBIS, 89-141, July 25, 1989, pp. 50-51. Also see Agence France-Presse (Hong Kong) in English, October 24, 1989, in FBIS, 89-204, October 24, 1989, p. 37.



seminary was not reopened or authorized to train new monks. The modest revival took place under close government scrutiny.<sup>4</sup>

The reforms were quick institutional fixes, providing maneuverability to an increasingly constrained system by introducing some new faces to Cabinet and front leadership positions, and incrementally and selectively inviting a wider range of interest groups to participate in organized politics.

The changes altered the form but not the substance of the regime. Though laced with newcomers and modified by slight and cosmetic alterations of the original Leninist blueprint, the governing system remained the monopoly of the Vietnamese wing of the Cambodian Communist movement. In the context of the increasingly "open" economy, that monopoly meant unparalleled control over lucrative projects and investments and the ability to profit from the influence of party and government positions. Indeed, the regime had to contend with criticism that corruption has penetrated every level of government and that a "new class" has begun to emerge.<sup>5</sup>

## THE LIFE OF THE PARTY

In 1989, the PRPK sustained its efforts to upgrade the quality of its constituent parts, to increase its membership rolls by adding more trained and capable secretaries and members at provincial and commune levels, and to develop an organizational base in the countryside. However, party strength and political influence continued to vary directly with the distance from provincial capitals and large district seats, and provincial party structures were composed of severely under-strength committees with weak commune-level structures and inadequate leadership.

Party membership hovered between 5,000 and 7,000 in the mid-1980's, and increased to between 8,000 and 10,000 during 1986-1988. In 1989, the

party claimed to have topped the 10,000-member mark and spoke in terms of "tens of thousands" of members, a calculation that probably included candidates and members of the party core groups (*krom snoul*).

The party also claimed substantial growth in provincial organizations. During the regional congresses held throughout the first half of 1989, many provincial party standing committees were enlarged through the addition of new permanent members. The congresses seated clusters of provincial representatives at formal sessions under the chairmanship of individual Politburo members and focused these meetings on concrete regional issues.<sup>6</sup>

During the year, special party conferences and meetings underscored the center's commitment to the systematic reform of provincial political organizations, the expansion of party membership, and the development of subprovincial structures. In early February, an enlarged eighth plenary meeting of the central committee emphasized multisectoral efforts to strengthen core groups and improve core cadres. An extraordinary central committee session held from March 29 to April 1 reiterated the basic themes of institutional development and membership expansion, and demonstrated the party's support for the land use and labor exchange policies and the policy entitling households and private citizens to engage in business activities.<sup>7</sup>

In April, the second national conference of party cadres proclaimed the success of the central organization's efforts to expand and improve subordinate provincial and municipal party committees. The conference announced the long-awaited expansion of the Politburo and central committee and the strengthening of the statutory role of the central committee. The conference strengthened the hands of Cabinet ministers within the Politburo and the central committee; at the same time, it injected new blood into a top-heavy structure.

The party cadre conference hailed the expansion of the party's leadership and troubleshooting role, and demonstrated the party's strong hand in formulating and managing the new economic reforms. The party took a position as superintendent of the shifts in fundamental agriculture development and land use policy, and sponsored the expansion of the political role accorded to peasant associations in pressing the reforms of production.<sup>8</sup>

In spite of the reforms, the contours of a Politburo-dominated system remained unaltered. Decision-making power remained in the hands of a closed circle. Experiments in the pluralization of society continued to be managed by the system of power brokers who were centered in the Politburo. Elite succession was partial and controlled. The party offered no effective testing ground for the younger

<sup>4</sup>*Far Eastern Economic Review* (cited as *FEER*), August 3, 1989, pp. 36-37; *Bangkok Post*, January 13, 1989, p. 6.

<sup>5</sup>Frederick Z. Brown, *Second Chance: The United States and Indochina in the 1990s* (New York: Council on Foreign Relations Press, 1989), pp. 76-77.

<sup>6</sup>For details, see various reports in Joint Publication Research Service, *Southeast Asia*, January-June, 1989; and FBIS, January-March, 1989. See also Jacques Bekaert, "The Party—Still a Dominant Force," *Bangkok Post*, May, 1989.

<sup>7</sup>Phnom Penh Domestic Service in Cambodia, February 7, 1989, in FBIS, 89-026, February 9, 1989, pp. 36-37; Phnom Penh SPK in English, April 1, 1989, in FBIS, 89-062, April 3, 1989, p. 56.

<sup>8</sup>According to the report presented to the central committee, provincial and municipal party committees had increased the size of their staffs, established control commissions, and encouraged the parallel growth of mass organizations. Phnom Penh Domestic Service in Cambodia, April 20, 1989, in FBIS, 89-080, April 27, 1989, pp. 43-60.

alternate members; secretarial services were dominated by party elders. There was apparently no systematic effort to replace the dominant holders of provincial party power or to inject more than a token representation of technocrats into the central committee. The founding party oligarchs continued to wield power.

### A FEW GOOD MEN: THE ARMED FORCES

In 1989, Cambodia's armed forces, composed of between 50,000 and 55,000 inexperienced troops and largely unqualified, untested officers, continued to focus on incremental structural and qualitative improvements rather than main force expansion. In general, Cambodian forces remained relatively light in armor. Several new provincial battalions, infantry regiments attached to provincial units and a Phnom Penh garrison division were established in mid-year, but were probably under-trained and marginally competent. Cambodian pilots completed MiG-21 training in Vietnam and the Soviet Union and returned to active duty in Cambodia in mid-year, concurrent with a delivery of a squadron of MiG-21 aircraft.

The regime continued to place a priority on the rapid development of provincial and district militia and local self-defense forces as one of several means of strengthening the regime in preparation for the withdrawal of the remaining Vietnamese troops. By most counts, about 100,000 armed men belonged to local militia units by mid-1989. In late 1989, there were an estimated 10 to 20 battalions of local soldiers in regular service in each province.

The regime organized an active conscription campaign under the auspices of provincial-level troop recruitment committees in mid-year to add fresh but probably poorly trained troops to provincial military unit ranks. Ancillary force expansion did not change the marked inability of the Cambodian Armed Forces to contend with the superior forces of the Khmer Rouge or the persistent efforts of the non-Communist resistance (NCR).<sup>9</sup>

On September 26, Hanoi proclaimed that the withdrawal to Vietnamese soil of what it billed as

<sup>9</sup>*Matichon Sutsapda* (Bangkok), October 8, 1989, pp. 8, 9; Phnom Penh Domestic Service in Cambodia, March 12, 1989, in FBIS, 89-047, April 13, 1989, p. 54; *Quan Doi Nhan Dan* (Hanoi), March 28, 1989, p. 2; various reports in FBIS in May and June, 1989.

<sup>10</sup>*Washington Post*, November 30, 1989, pp. A37, A46.

<sup>11</sup>The Sihanouk National Army claimed a troop strength of about 18,000, a substantial increase over the level claimed for 1988. It continued to focus on political activity in Cambodia's interior, but also engaged Vietnamese forces and attacked Vietnamese installations. Its operations consisted of shallow, small-scale penetrations in northwestern Cambodia. In October and November, however, it was the KPNLF that was able to send Cambodian troops scurrying in the vicinity of Poipet, and in late November seize control of Svay Chek.

the last 26,000 Vietnamese troops fulfilled the pledge it had made in the April 5 joint Indochinese statement. In the absence of an external mechanism for verifying Vietnam's claims, concerned countries were not prepared to accord credibility to Hanoi's announced withdrawal, largely because of the possibility that Hanoi had maintained assets, including advisers, in Cambodia. However, with the September withdrawal of its 26,000 troops, Vietnam has apparently removed the last of its organized combat-capable military units, eliminating Vietnam's ability to alter the strategic and tactical balance of on-the-ground forces in Cambodia. The advisory assets and any forces that may have remained behind clandestinely would at best permit a continued Vietnamese relationship with (or influence over) specific Cambodian forces or parts of the high command, but could not serve as a means of stiffening the Cambodian forces.

In January, the military instituted ranks and grades, promoted the highest ranking members of the military and, late in the year, commissioned senior and junior officers after the completion of training. In late October, the party secretariat announced that the Kampuchean People's Revolutionary Armed Forces would be renamed the Cambodian People's Armed Forces.<sup>10</sup>

### THE KHMER ROUGE FACTION

In 1989, the Khmer Rouge remained the best equipped, most capably organized and led and the most efficient fighting force of all the Cambodian contestants. The Khmer Rouge outclassed the other resistance factions in command and control and in the execution of tactical and strategic actions.<sup>11</sup> The estimated strength of its forces in 1989 ranged from 25,000 to 30,000 troops and porters. The organization was able to replace its losses but was not capable of overall force expansion. China continued to supply the Khmer Rouge with basic infantry weapons, rocket-propelled grenades and mortars in excess of its needs. The Khmer Rouge sustained its emphasis on political action in the interior and it avoided large-scale attacks on Vietnamese and Cambodian forces.

The Khmer Rouge's organizational chart and the composition of the political high command remained shrouded in secrecy. In 1989, Khieu Samphan continued to function as the "party head" in close consultation with the Khmer Rouge's shadowy political high command. Ieng Sary, one of former Prime Minister Pol Pot's longest and closest

(Continued on page 135)

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**Lewis M. Stern** was assigned to the United States Embassy in Bangkok, Thailand, during 1984-1986.

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*"Malaysia's long-term problems are considerable. Politically, stability will always be in question. . . . In the short term, however, Mahathir's recovery from surgery has been accompanied by a political recovery from serious challenges to his authority."*

# The Mahathir Recovery in Malaysia

BY DIANE K. MAUZY

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and

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As Malaysia gears up for another general election, the years since the last nationwide election in 1986 can be characterized as politically troublesome and contentious, although politics has been moderated and influenced significantly by unexpectedly strong economic recovery and growth. Throughout these years, Prime Minister Datuk Seri Mahathir Mohamad has proved himself an adroit ruler and an astute in-fighter who has successfully fended off all challenges by fellow Malay contenders; in the process he has considerably strengthened executive power.

Trouble was already brewing before the August, 1986, general election. The government had been rocked by a series of major scandals and allegations of corruption; Deputy Prime Minister Dato Musa Hitam had resigned his post because of disagreements over the policies and methods of the Prime Minister; and the country was feeling the effects of a year-long economic recession. Further, the Malaysian Chinese Association (MCA), a component party of the ruling Barisan Nasional (BN) coalition, was in disarray after a bitter contest for the presidency of the party that saw the victor implicated almost immediately in a major stock market scandal. He was later convicted and jailed.

Despite some predictions that the Barisan would suffer a serious setback that would put pressure on Mahathir's leadership, the government decided to chance a summer election. The results confirmed his judgment and strengthened his hand. The BN won 148 out of 177 parliamentary seats and took control of all state governments. The United Malay National Organization (UMNO), the dominant party in the ruling coalition, won 83 of the 84 parliamentary seats. The rural Malay vote—UMNO's strength—remained stable, and was unmoved by allegations of government corruption and authoritarian behavior.

The election results did little, however, to reduce the rift between Mahathir's opponents and supporters within UMNO. In April, 1987, the trien-

nial UMNO party elections—often called Malaysia's "real" elections because they determine the top party and government leadership—were held. Traditionally, the top post is not contested (at least by a serious candidate), since UMNO has always operated in the style of patronage from the top and deferential clients below. However, in 1987, Mahathir was seriously challenged for the presidency by Trade and Industry Minister Tengku Razaleigh Hamzah, in league with Mahathir's former rival, Dato Musa, who contested the deputy presidency against Deputy Prime Minister Encik Ghafar Baba. It was an expensive and dirty campaign to win (or buy) the votes of the UMNO delegates. The results gave Mahathir a 43-vote victory (761-718) and Ghafar Baba had a similarly close win.

Contrary to traditional Malay approaches to conflict resolution, no reconciliation followed. Instead, the losers complained of voting irregularities and initiated court action to declare the election results invalid; two Cabinet ministers resigned; and Mahathir fired three more ministers and four deputy ministers. The purge of opponents continued throughout UMNO at state, district and branch levels. The unprecedented punishment of losers and the subsequent court action solidified the division within UMNO.

In an ethnically divided state like Malaysia, where conflict is managed by a process of ethnic accommodation through a ruling coalition of ethnic political parties, a rift in the ranks of the dominant coalition partner can have a damaging spillover. In this case, it weakened the willingness of UMNO's beleaguered leaders to compromise with the demands of the other ethnic groups, because compromise would be unpopular with many Malays regardless of the issue involved. Consequently, Mahathir, "stung by unprecedented challenges and mounting criticism of abuse of executive power and the performance of the government," reacted sharply and decisively to preserve his leadership and his role as defender of the interests of the Malays when



faced with non-Malay demands.<sup>1</sup>

In October, 1987, Mahathir responded to escalating ethnic tensions resulting from Chinese protests over a government ruling affecting the administration of Chinese primary schools, a highly inflammatory and reactive UMNO Youth rally to condemn the Chinese protests and perceived insults to the Malays, and a planned massive UMNO rally to show support for Mahathir and demonstrate UMNO unity. The Prime Minister ordered more than 100 preemptive arrests of critics and opponents under the Internal Security Act (ISA) as threats to national security; he closed three newspapers and banned public meetings and rallies.

The focal point of political tension, however, was the intra-UMNO conflict and the case brought before the courts by Mahathir's opponents seeking new UMNO party elections. In February, 1988, a High Court judge stunned the country with an oral decision that said that since illegal branches had participated in the UMNO elections, UMNO itself was an illegal organization. In accordance with the law a scramble then followed to register a new party with "UMNO" in its name. Mahathir, who had some advantages (specifically, the Registrar of Societies works for him in the Ministry of Home Affairs), triumphed again by successfully registering UMNO Baru (New UMNO; the "new" then being carefully dropped). One of Mahathir's first statements about the new party was that he did not intend to allow his opponents to join.

However, two outstanding issues remained. First was the question of who would get hold of the "old" UMNO's vast assets. The second was a court appeal to legalize the old UMNO, since the High Court judge's written decision seemed to highlight the need for new elections and downplay the significance of the technical illegality of UMNO. If the old UMNO were legalized, Mahathir might find himself heading a splinter party without any assets. Consequently, the impending court decision was crucial. The situation could not have been to Mahathir's liking, since he distrusted and disliked the courts. Throughout 1986 and 1987, the Prime

Minister had accused the courts of trying to usurp power and run the country, because they had made decisions that he interpreted as infringing on executive power. With the political stakes high, the Prime Minister began taking steps to reduce the power and independence of the courts, specifically to exclude their supervisory powers to review or reverse executive decisions and to strip them of the power of judicial review. Further, the powers of the attorney general were increased to allow him to decide which courts would hear cases with what judges:

In May, 1988, Tun Salleh Abas, the Lord President (the highest judicial figure in the land), set a June date for hearing the UMNO appeal in the Supreme Court, and ordered the appeal heard by a full bench (all nine judges), thus nullifying the government's ability to manipulate assignments. However, in late May, the Lord President was suspended for "gross misbehavior and misconduct" (for a letter he had sent to the King that breached protocol), and a tribunal to hear grounds for his dismissal was ordered. When the tribunal, headed by the Deputy Lord President and the man most likely to succeed Tun Salleh, completed its work in July, the Supreme Court met in special session and handed down a restraining order on the tribunal. Four days later, the five Supreme Court judges involved were also suspended. With six of the original nine judges thus out of action, Mahathir was able to fill the vacancies with his own choices. In August, Tun Salleh was dismissed and the UMNO appeal was rejected.<sup>2</sup>

Between August, 1988, and August, 1989, a series of by-elections were held, all of which were viewed as a test of Mahathir's popularity. The first test case, forced by the resignation of the incumbent parliamentarian who then contested the by-election as an independent, gave the Prime Minister's opponents a victory. However, the BN won five of the next six by-elections, losing only one state seat in Trengganu to Parti Islam Se-Malaysia (PAS), with the cooperation of former UMNO members. The Barisan was aided in these campaigns by the ongoing economic recovery, its greater financial resources and its control over the mass media. Interestingly, voting patterns revealed that the Malays remained split. The winning margin was provided by the non-Malays, who were voting pragmatically for political stability and hence for the Barisan (since they had suffered in the past after stirring up the volatile waters of Malay politics, this behavior was not unreasonable).<sup>3</sup>

## ACCOMMODATION OR MANEUVERING?

By late 1988, Mahathir apparently felt sufficiently in control to change his strategy to one of accom-

<sup>1</sup>Diane K. Mauzy, "Malaysia in 1987: Decline of 'The Malay Way,'" *Asian Survey* (cited as *AS*), vol. 28, no. 2 (February, 1988), p. 214.

<sup>2</sup>See *The Times* (London), October 16, 1989, for a discussion by Bernard Levin of Mahathir's attack on the judiciary.

<sup>3</sup>See *Aliran*, vol. 9, no. 8 (1989), pp. 2-6; *Far Eastern Economic Review* (*FEER*), May 25, 1989, pp. 22-23; August 17, 1989, p. 23. The Teluk Pasu state constituency that PAS won is heavily Malay-populated (virtually 100 percent). In the earlier victory by independent Datuk Shahrir Samad in Johor Baru, an evenly mixed Malay and non-Malay constituency, Datuk Shahrir received a substantial non-Malay vote. This was at least partly because of his personal popularity, but nevertheless it stands as an exception to the normally cautious and prudent non-Malay voting pattern.



moderation with the ousted groups. With a general election and the election of a new King on the horizon, this was a shrewd political move, especially since the concessions did nothing to weaken his control of the party.<sup>4</sup> Almost immediately, the move sowed discord among his opponents (having been designed to woo Dato Musa and isolate Tengku Razaleigh). Further, it appeased many Malays, uneasy with Mahathir's authoritarian stance, which was contrary to the "Malay way" of managing conflict. Mahathir's call for "Malay unity" now seemed legitimate.

The "Johor Unity Formula," accepted by UMNO Baru in January, 1989, called for opening its membership to all Malays and for accepting officials elected in 1987 before deregistration. Two conditions—the restoration of the 1987 branch and divisional leadership and the old party constitution—were watered down to an agreement that steps would be taken to enact them. These would have weakened Mahathir's position, and the only steps taken, later that year, rejected these conditions.

On January 18, 1989, Mahathir suffered a serious heart attack, and six days later he underwent a successful coronary by-pass operation. This appears to have been a catalyst in the decision of Dato Musa to "return to the fold" by joining UMNO Baru, which he did on January 31, 1989 (he was later named as Malaysia's special envoy to the United Nations). If Mahathir's heart attack, from which he appears to have made an excellent recovery, moved a hesitant Dato Musa and isolated a recalcitrant Tengku Razaleigh, it likewise intensified succession anxieties and thereby exacerbated factional struggles among contending elites inside UMNO Baru.

Tengku Razaleigh and his followers, grouped as Semangat '46 (the Spirit of '46—the birthdate of UMNO), rejected UMNO Baru overtures. Thwarted and outmaneuvered at every turn, Tengku Razaleigh changed his strategy and formed an electoral opposition coalition to challenge the BN, and especially Mahathir, at the polls.

<sup>4</sup>On March 2, 1989, the Council of Rulers heeded tradition and elected the Sultan of Perak, Azlan Muhibuddin Shah, as the next Agung (King). He was installed on April 26. The new Agung was formerly the Lord President of the Supreme Court and was thought to be critical of Mahathir's treatment of the judiciary and the trend towards consolidating executive power. Consequently, public expectations were inflated, unrealistically, that the Agung would be able to check the drift away from democracy. See *FEER*, January 26, 1989, pp. 20–26, March 16, 1989, p. 11; *Aliran*, vol. 9, no. 2 (1989), pp. 2–3, 38.

<sup>5</sup>On Semangat '46, APU and the wider opposition coalition, see *Asiaweek*, October 27, 1989, p. 28.

<sup>6</sup>For one thing, Mahathir is trying to avoid any complications in Sarawak and Sabah, despite his alleged personality conflicts with the chief ministers of both these Borneo Malaysian states.

Semangat '46, which was officially registered as a political party on May 5, 1989, joined in an alliance with PAS and Berjasa and Hamin, two small Kelantan-centered parties that defected from the BN; Semangat '46 then made an arrangement to cooperate with the Partai Sosialis Rakyat Malaysia (PSRM), a small Malay Socialist party, and the major opposition party among the non-Malays, the Democratic Action party (DAP). The alliance, known as Angkatan Perpaduan Ummah (APU) is awaiting approval from the Registrar of Societies. The intention of the APU is to present itself as an alternative government; a more specific goal is to win about half the rural and semi-rural Malay seats away from UMNO (while the DAP would at least hold its own in the non-Malay seats).

Since before independence, a coalition of moderate ethnic parties—the Alliance, and its successor, the BN—has occupied the political center and dominated the political process, while ethnic outbidders, like PAS and, since 1965, the DAP, have chipped away at the political and ethnic fringes. The class-based Socialist Front, a previous attempt at an alternative coalition, fell apart over ethnic disagreements. Likewise, attempts of former UMNO elites to sustain a party to rival UMNO have collapsed in failure. With the APU, the Semangat '46 core group of Malay moderates is attempting to provide the glue that will hold together a disparate coalition of three basically Islamic parties, a Malay Socialist party and a non-Malay party dedicated to opposing Malay special privileges and the creation of an Islamic state.

At the inaugural congress of Semangat '46 in October, 1989, party president Tengku Razaleigh and deputy president Datuk Rais Yatim successfully walked the tightrope to keep the pact intact, with a compromise position on the role of Islam and with a dual Malay and non-Malay election strategy.<sup>5</sup>

## THE NEXT GENERAL ELECTION

The opposition coalition has virtually no chance of winning power away from the Barisan in the next election.<sup>6</sup> It has already stirred non-Muslim fears of PAS, adding to the prevailing widespread Malay dislike of the DAP, and thus partly negating the advantages of cooperation. However, there is no doubt that the APU constitutes a serious challenge to UMNO in the four northern states, the Malay heartland. It could win control of one, or possibly two, state governments and reduce UMNO's parliamentary wins, thus casting doubt on Mahathir's leadership.

It is possibly with this in mind that in November, 1989, Mahathir initiated new conciliatory gestures (for Malay unity; conversely, to undermine the APU). First, through the mediation of UMNO

Youth, Mahathir arranged a meeting with his long-time critic and *bête noire*, Tunku Abdul Rahman, the country's first Prime Minister, foremost elder statesman and adviser to Semangat '46. Mahathir traveled to the Tunku's home in Penang and was suitably deferential. Subsequently, Mahathir agreed to hold talks with Tengku Razaleigh (apparently at the Tunku's request), and the Tunku accepted an invitation to attend the UMNO Baru general assembly in late November. Although the Tunku said later that "I will remain a member of Semangat '46 to the end of my days," there is no doubt that the public show of personal reconciliation with the Tunku enabled Mahathir to pull off yet another political victory.<sup>7</sup>

It seems unlikely that the scheduled talks between Mahathir and Tengku Razaleigh will result in any reconciliation, since these proud leaders personally dislike each other. Yet Malay politics is sometimes full of surprises. An important consideration will be the secret polls being carried out by UMNO to gauge the electoral impact of the APU. If the polling reveals that the APU will have only a small impact in terms of seats won, Mahathir is unlikely to offer anything that Tengku Razaleigh could easily accept. On the other hand, Mahathir might be interested in luring Tengku Razaleigh back if he could do so cheaply enough (in terms of political costs), since he would be applauded for restoring Malay unity, and he is comfortable when handling contending factional subordinates.

If there is an electoral showdown, as seems likely, Malay political history, the economy and the "play-safe" non-Malay voting attitude are all on Mahathir's side.

## ECONOMIC PERFORMANCE

Malaysia has progressed far beyond the point where the health of the economy can be determined from the price of rubber and maybe tin. Timber, oil and palm oil have become major exports, as has manufacturing. To be sure, all these are subject to fluctuations in demand, but at least the risks have been spread. Malaysia's recovery from the recession of 1985-1986 continued in 1989, although some reminders of bad times remained in the form of rescue operations for failed banks, cooperatives and so on. However, 1989's gross domestic product (GDP) growth rate was estimated at about 8 percent, less than the 1988 figure of 8.7 percent. Estimates for 1990 are slightly lower.<sup>8</sup>

Some global influences are beyond Malaysia's

control, notably the trend toward lower commodity prices. In November, 1989, compared with a year earlier, rubber and palm oil prices, both vital for Malaysia, had dropped, although the country benefited substantially from rising oil prices. The tin price was only slightly higher. Malaysia can exert some influence on other factors, although the effects are hard to quantify. It can strive to improve economic performance through political stability and by intelligent decisions on the New Economic Policy (NEP). It can also continue to offer incentives to foreign investors; these were important in extricating it from the recession (the 1988 increase in foreign investment was three times the 1987 increase). It has allowed the ringgit (M\$) to depreciate; from its lowest point of M\$2.70:U.S.\$1 in November, 1988, it recovered to M\$2.62 a year later. Construction is also being stepped up to complete government projects by 1990, the last year of the fifth Malaysian plan.

Some other recent features of the economic scene are not so well-known. Increases in manufacturing output, stimulated largely by investment from abroad, have constructed a much broader-based economy. By 1988, manufacturing constituted 24 percent of the GDP—having risen by 15.3 percent from 1987—exceeding agriculture's share of 21 percent. Manufacturing now makes up about half of total exports, while primary commodities (excluding oil) comprise only about 20 percent. A decade or so ago, the figures were 20 percent and 60 percent, respectively. Growth in manufacturing is expected to reach about 13 percent in 1989. Minister of Trade and Industry Datin Padukah Rafidah Aziz had predicted that manufacturing will be 34 percent of GDP by 1995. The target for 1995 had already been reached in 1988. Some observers have been skeptical about the future of exports of electronics components, which now comprise 15 percent of exports, and textiles. But in spite of Malaysia's vulnerability to competitors with the right mix of the necessary skills and appropriately low wages, it has managed to find profitable "niches" in switching to higher-valued-added products.<sup>9</sup>

There have also been significant changes in the origin of investment and the destination of exports. Japan is still the leading investor (M\$2 billion in the

*(Continued on page 126)*

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<sup>7</sup>See *Straits Times* (Weekly Overseas Edition) (ST), November 25, 1989, p. 10; *FEER*, November 30, 1989, pp. 10-11.

<sup>8</sup>*FEER*, November 30, 1989, p. 96.

<sup>9</sup>*Aliran*, vol. 8, no. 7 (1988), pp. 28-30; *Asiaweek*, November 17, 1989, p. 60.

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*"Forces in Vietnam—the young and the intellectuals—are pressing for radical change. . . . But countervailing forces are also at work. They fear that change . . . will lead Vietnam into chaos."*

## Change and Continuity in Vietnam

BY DOUGLAS PIKE

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**T**HE winds of change that have buffeted the Soviet Union and East Europe—this "retreat from communism," if that is what it is—have yet to reach Vietnam's shores as more than a brisk indeterminate breeze. "The future," as Communist party chief Nguyen Van Linh is wont to say, "the future, comrades, lies ahead."<sup>1</sup>

For three years, since the party's sixth plenum in 1986, Linh has sought to mobilize the forces of change against the entrenched forces of continuity. The battle—between the reformers and the neoconservatives, as they are labeled by outsiders—has scarcely been joined. The struggle to date has been marked by swings of momentary success and momentary setbacks. In the longer run, it seems probable that Vietnam will also be swept by gale force winds of change. The question is when.

Hanoi watchers around the world monitoring this struggle for change are not in agreement with regard either to its exact course or to its pace. They agree that Vietnam is beset by a plethora of problems—economic (above all), social, administrative, diplomatic and psychological. These problems desperately require solutions. But despite several years of an energetic and often innovative reform effort, they stubbornly persist.

This is also the judgment of the ruling Hanoi Politburo. Indeed, no one in Vietnam today would endorse the status quo and argue that the way it has been for the past 15 years is the way it should be for the next 15 years. Nor is there serious dispute over precisely which individual programs are required. Such argument raged earlier and was very ideological in nature; but by tacit agreement it has been set aside. Virtually none of the reform experimentation in the past several years proved successful. The net effect was to reduce the level of dogmatism in both camps and persuade everyone to join in a common search for a practical solution.

The central quarrel over change today is not about the fact of change or its need, but over the in-

herent dangers implicit in change. Can Vietnam risk the unintended effects that follow in the wake of deliberately induced change? Horrible examples of change gone wrong, in the Politburo's opinion, can be found from Tiananmen Square in Beijing to the Berlin Wall.

In the waning months of 1989, Hanoi leaders suffered what might be called an anxiety attack over what was happening around them in Vietnam and throughout the Leninist world. The great system of socialism, to which they had been so loyal for so long, suddenly began to come apart at the seams. For them, it was a puzzling phenomenon, this "historical irony" of a highly effective governing system in the act of self-destruction. Further anxiety was added by the fear that these events would exert profound and unwanted influence in Vietnam, particularly on the young.

The leadership reacted firmly by signaling that the rest of the Socialist world might be foolishly dismantling its ruling system built on the Communist party monopoly of political power, but that this was not going to happen in Vietnam. With the restive Vietnamese students, the leadership took a carrot-stick approach. The official press, including the army newspaper, aired various student grievances. Officials met with student leaders and promised to redress their complaints, mostly having to do with poor housing, bad cafeteria food and general student poverty. At the same time, they warned the students against endorsing "pluralism," the catchall code word used to mean any sort of political change that requires abandoning the idea of a party-led dictatorship of the proletariat.

Abroad, there were "open letters to our misguided comrades in Warsaw" and a sense of satisfaction by the Hanoi press with the "restoration of discipline" in Beijing in June, 1989. The influx of foreign academics and other potential troublemakers to Vietnam was curtailed—visas denied, visits postponed, requests for academic exchanges going unanswered. As far as can be determined there has been no cutback in authorized travel abroad by Vietnamese academics and others. Nor has there been a visible diminution of interest in encouraging

<sup>1</sup>This article draws from source materials found in the University of California (Berkeley) Indochina Archive. The author consulted Unit Six, Section 1, "General Data," containing about 40,000 pages of documentation.



foreign economic investment and assistance. The conservatives fear that foreign money will contaminate the Vietnamese political system, but the reformers have been able to hold the line in this regard.

This serious trouble in the Politburo, manifesting itself as internal disarray, is made more complex because it is taking place in the midst of a generational transfer of political power, with old leaders leaving and younger ones replacing them. Much of the trouble, certainly the disarray, stems from contradictory attitudes among Politburo members about continuity and change within the society and over the proper degree of risk to be taken in the name of reform. There are also sharp differences over the proper model, or general design, for economic development and over the best strategy to accomplish the task. To some extent this is a doctrinal or ideological quarrel.

More fundamentally, however, leadership disarray is traceable to the fact that the Politburo is unequal to the challenge it faces. For decades it was a highly effective ruling group, one that hardly ever made a serious mistake. It provided exactly the kind of leadership needed in a long war against a formidable foe—first the French, then the Americans. But it governed on a wartime principle: the proper way to solve a problem is through sustained and prolonged application of maximum force, the so-called protracted struggle notion. This is indeed the way to win wars. But such leadership becomes a major impediment in peacetime when it faces problems like economic development that are not solved by such brute force treatment.

There is also endemic weakness. Members of the Politburo are old (average age 73), in effect making Vietnam a gerontocracy. The top leadership is poorly educated. None of the Politburo members has the equivalent of a college degree, and only two or three have the equivalent of a high school education. The Politburo is incapable of dealing with the kind of economic problems that beset modern or semi-modern societies. Worse, it will not trust others to take over as economic leaders.

The difficulties posed by Hanoi's failed leadership—and its inability to arrive at workable state policies and programs—are further exacerbated by the style of politics practiced at the Politburo level, a collective leadership system rooted in Chinese-styled factionalism.

The political faction in Hanoi can be described as a political combine centered on a single Politburo

member; it is more than a political clique but not a political movement or party. Factions are neither neat nor easily discerned. There are subfactions, factions within factions and pseudo-factions or stalking horses. Overlapping interests create temporary alliances among factions. Crossovers are common, as are trade-offs (you support my issue, I'll support yours), made possible because issues have various salencies to various factions and because often there are no sharp lines of demarcation between issues.

The present Politburo can be divided into four major factions, commonly labeled by outsiders thus:

- *Reformers*: Nguyen Van Linh, Vo Van Kiet and Mai Chi Tho;
- *Neoconservatives*: Do Muoi, Vo Chi Cong and Nguyen Duc Tam;
- *Military* (sometimes termed “modernizers”): Generals Le Duc Anh, Doan Khue and Dong Sy Nguyen;
- *Bureaucrats* (sometimes termed “economists” or *fonctionnaires*): Nguyen Co Thach, Tran Xuan Bach, Dao Duy Tung and Nguyen Thanh Binh.<sup>2</sup>

Political competition within this factional structure is not the naked politics of entourage found in non-Leninist Southeast Asian societies, but is clothed in doctrine. It concerns political infighting in the name of specific issues, not personality.

## THE MAJOR ISSUES

There are seven major issues and they represent the stuff of day-to-day political infighting at the Politburo level. The transcendental issue, of course, is the question of continuity and change, pitting the reformers (allied with the bureaucrats) against the neoconservatives (allied with the military). A second issue has to do with the “quality of socialist life” and is essentially ideological, having to do with material incentives versus moral exhortation (reformers and bureaucrats versus neoconservatives and military). Then there are three economic issues—the allocation of resources to various sectors of the society; the extent of centralized planning versus the decentralization of the economy; and foreign economic assistance policies with various shifting alliances among the four factions. Finally, there is foreign policy, involving Vietnam's national security, like the issue of Cambodia, how to deal with China, and the degree of dependence on the Soviet Union—which pits reformers and bureaucrats against neoconservatives and the military.

The labels describing these factions tend to mislead. All 13 Politburo members are “reformers” in the sense that all advocate change. All are “conservative” in being cautious about taking risks. All are “military” in that they assign national security a top

<sup>2</sup>For detailed discussion of the Politburo factions, as well as the issues in contention among them, see the author's chapter, “Origins of Leadership Change in the Socialist Republic of Vietnam,” in Raymond Taras, ed., *Leadership Change in Communist States* (Boston: Unwin Hyman Publishers, 1989).



priority. And each is a bureaucrat, in that each has a constituency that he controls but that also dictates the policy positions he takes.

In general, the driving force of the reformer is the perceived imperative need for immediate change; of the neoconservative, the fear that rapid change will inadvertently introduce deleterious change; of the bureaucrat (or "economist"), the desire to factor more science, technology and rationality into the changes being made; of the military, Vietnam's geopolitical needs, its national security requirements and the vested interests of the armed forces.

The Politburo's reaction to its time of troubles has been to retreat to the bunker. Top leadership behavior through the years has consistently followed the rule: when the going gets tough, the tough hunker down. Given the collective leadership system and the nature of political factionalism, it is inevitable that policy decisions should swing back and forth. Since 1986, the reformers have clearly been in the ascendancy. Policies have moved steadily toward openness, renovation and compromise. Disengagement from Cambodia was seen by the neoconservatives as the last straw in forthcoming gestures — which they felt brought Vietnam no visible benefit, not even expressions of gratitude. So they became intransigent. Policy tilted toward less risk-taking, more orthodox responses to ongoing problems. For decades this zig-zag in policy-making has been at work in Hanoi. If the past is any guide, this zig is a temporary phenomenon and eventually the zig will again become a zag.

## ECONOMIC DEVELOPMENT

After the end of the war, Vietnam witnessed the launching of a series of what were billed as full-scale economic rectification campaigns—in December, 1976, at the fourth party congress; in September, 1979, with the promulgation of the famed sixth plenum (fourth congress) resolution; and most recently in December, 1986, with the reform plan introduced by party chief Nguyen Van Linh. In each case, the aim was to get the economic machine in gear and going, not to launch full-scale economic development. Concentration was focused on increasing production, especially in agriculture, and on pressing domestic trade and fiscal problems. Specific programs tried to increase plant investment and capital accumulation; to install a differential wage-salary scale based on individual worker output and productivity; to check inflation; and systematically to attract foreign aid, investment and joint economic ventures. These programs were "band-aid"-type economic remedial measures, nec-

essary but not addressing fundamental needs. A comprehensive economic development strategy was also lacking.

Vietnam's central problem remains poverty. With a per capita income estimated between \$200 and \$300 in 1988, it is one of the world's poorest countries, ranking 151st in the economist's "poverty index" of the world's 156 countries. The economy is permanently mobilized for war that it can ill afford, with perhaps half its national budget allocated to the military. It is, in effect, on the socialist world dole with an unhealthy dependence on Soviet-CMEA (Council for Mutual Economic Assistance) economic aid institutions. Vietnam has virtually no hard currency reserves and suffers one of the world's worst trade deficits.

Vietnam's efforts to reform its economy both resemble and differ from what we are witnessing in other Leninist societies. Outsiders tend to find more parallels here than actually exist. Perhaps the chief difference is that in Vietnam economics does not have the same commanding role as it has in other societies: Leninist and non-Leninist alike. By all logic, Hanoi leaders should be eager to make virtually any sacrifice in the name of economic improvement. But while they proclaim as an operational slogan that "economics is in command," the fact is that other interests consistently get higher priority. The reason is traceable to historical and cultural influences that have made Vietnam a Spartan society of tough, patient, self-disciplined, long-suffering people. The Vietnamese accept as a matter of historical necessity the fact that economic influence must be minimal when national security is at stake.

Where, then, does Vietnam's economic reform effort stand today, in the opinion of the ruling Politburo? A recent authoritative statement, the product of what could be called a Politburo brain-storming session, makes this assessment:<sup>3</sup>

1. Vietnamese society's ultimate goal remains "advancing to socialism"; "all widespread and distorted notions" to the contrary must be rectified. Science and technology may be borrowed from capitalist countries, but not institutions or ideas that run counter to Marxism-Leninism. This ideological reaffirmation in effect fixes the limits of reform.

2. Results to date to reform and overhaul the economy have been mixed—there has been fair progress in agriculture, in decentralizing economic planning and in various motivational and mobilizational campaigns. There has been less success in raising productivity levels and in accumulating capital. The effort to revitalize the Vietnamese Communist party remains "rife with numerous difficulties." The most serious failure has been the party's effort to persuade the general public that

<sup>3</sup>"Eight Conclusions," published by *Nhan Dan* and Radio Hanoi, December 8, 1988. See Foreign Broadcast Information Service, *East Asia Daily Report*, no. 33-237, December 9, 1988.

Marxism-Leninism has the solutions for Vietnam's various problems.

3. The campaign against "negativism" (the catch-all term for what is wrong with the society) "has obviously not met expectations" and must be pursued more vigorously. Essentially, the anti-negativism campaign is seen as the task of the communications media, which are to expose and denounce "typical cases of negativism, like degenerate and deviate cadres, unhealthy lifestyles, the practices of hooligans, thugs and dishonest merchants and obsolete mechanisms of management."

4. Vietnam still needs a reform field theory, that is, a party-supplied comprehensive concept for organizing and administering the required change. It must be a plausible, attractive ideological construct that will also work. This is not a call for new dogma nor even an intellectual explanation as much as a call for a generalized procedure to mobilize and motivate party members and to energize the general public by making better use of the mass social organizations, agitprop cadre corps, the *khiem-thao* (criticism/self-criticism) mechanism, the mass media and the educational and cultural institutions.

5. While the party leads and guides, responsibility for reform is not the party's alone. Responsibility as well as authority must be more broadly assigned. This statement is apparently directed at the National Assembly; there is an effort to grant the Assembly greater authority if it will assume greater responsibility in "meeting the need for a democratic atmosphere in the search to meet the people's legitimate demands." Also stressed is the importance of officials "listening to the opinions of upright people in settling problems at the grassroots level in fair, reasonable, orderly and law-abiding ways." Point Five makes a direct appeal to Vietnamese intellectuals, artists and other creative influentials to support renovation and offers as an incentive greater artistic freedom or, at least, a reduction of coercive state and party controls. Artists are told to limit their criticism through "self-imposed discipline." One senses here a note of hesitancy, an uncertainty in the Politburo as to how far the people can be trusted in assuming authority over and responsibility for their own lives.

6. Unlike the example of East Europe, the party must remain central in Vietnam. To the extent that it has lost its commanding position, it must reclaim it. This requires ruthlessly weeding out incompetent and corrupt cadres; more extensive training and retraining of party cadres, more agitprop work and a renewed search for a more persuasive orthodox Marxist explanation of the reform process.

7. The mass media is to be enlarged, improved and energized. More money will be spent on pub-

lishing, on agitprop work and on education. The next five year plan will have a special fund for the development of the press/information sector. Salaries of writers, reporters, editors, lecturers and artists will be increased.

8. Finally, a special committee is established to deal with all this, is to report to the Communist party of Vietnam (CPV) Central Committee Secretariat and is charged with monitoring the progress in renovation. It is also to evaluate systematically the "ideological status of both party cadres and party members," meaning that the party's current semipurge will continue unabated. And the committee is "systematically to evaluate the political mood of the people." This latter task is indeed new and innovative, a serious effort to take Vietnam's political pulse.

All in all, these eight points are soundly stated and rooted in reality. Taken collectively, they also represent the dilemma of continuity and change facing the Politburo.

## FOREIGN RELATIONS

External problems are nearly as extensive and as intractable as domestic problems. Vietnam is surrounded by hostile neighbors; it is diplomatically isolated, save for a few loyal friends like the Soviet Union and Cuba. Its long-standing cold war with China continuously threatens to escalate into a hot war over the off-shore islands. Dependence on the Soviet-CMEA international funding arrangement, which both Hanoi and Moscow appear to regard as excessive, remains basically unchanged.

Vietnam is still unable to attract serious foreign economic investment and aid from capitalist countries. Such projects are small-scale barter deals or commodity grants, both of which are economically unsound, since Vietnam needs massive capital investment. There is no improvement, or significant movement, in the United States-Vietnamese relationship. Reports from Hanoi tell of growing dissatisfaction and even open criticism from foreign ministry personnel over the conduct of Vietnam's foreign policy. Finally, after a decade, when Vietnam was able to extricate itself from the Cambodian morass—a decisive action by the Politburo, one that should be respected—the leadership found to its surprise that the decision did not draw the benefits from abroad that had been anticipated.

(Continued on page 132)

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*"Regional studies have recently documented the enormous diversity in economic predicament and in economic capacity that comprises the Indonesian economy. The economy will require a unique mix of public and private enterprise . . . to address adequately all the challenges and reap all the opportunities of this diversity."*

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# Indonesia: On the Road to Privatization?

BY GEOFFREY B. HAINSWORTH

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INDONESIA is now launched on its fifth five year plan (Repelita V), 1989-1993, under which it is hoping to achieve what President Suharto calls "the economic take-off stage" in its industrial development. It is seeking to accomplish this through much greater reliance on the private sector to provide the necessary capital, structural change and productivity improvement. The change of strategy has involved introducing a series of public policy "reform packages" intended significantly to deregulate trade and investment, to improve the effectiveness of banks and other financial institutions, and to reduce the intrusion and the weight of government in the economy. For a hitherto highly centralized and bureaucratized state, this represents a radical departure from accustomed arrangements. It also involves a high-risk strategy, with a real likelihood that the trajectory will hit many air pockets on the route to economic take-off.

Indonesia's economic development since 1967 can be categorized broadly in three main periods.<sup>1</sup> During the early years of the Suharto administration (1967-1972), the main goal was to "restore normalcy" after the economic debacle of Sukarno's final years as President. Thus the economic priorities of the New Order government were to curb inflation, to stabilize the economy, to restore economic growth and to attract foreign economic assistance. Economic policy during this period can be characterized as relatively liberal, outward-looking and receptive to foreign investment.

This was followed by the bonanza decade (1972-

1981), when oil prices and revenues increased ten-fold and the government financed major outlays on education, infrastructure communications, the Green Revolution and transmigration projects. Because foreign exchange was no problem, Indonesia could also afford to subsidize manufacturing based on import substitution, and the country-wide costs of transportation, energy, fertilizer, food and many other products. It was also able to respond to a popular surge of economic nationalism and to narrow the field and restrict the terms under which foreign firms could operate in Indonesia.

During the 1980's, however, the abrupt collapse of oil prices and the continuing low oil revenues imposed a decade of austerity, foreign exchange scarcity and rising indebtedness. A tight rein was imposed on government spending, and many projects had to be postponed or abandoned. Foreign borrowing and debt-service ratios increased dramatically, and the government adopted a more receptive attitude toward foreign investment and joint venture operations. After an initial crisis response, during which tariffs were increased and nontariff barriers were erected to conserve foreign exchange, the government gradually acquiesced in the advice of its economic technocrats and foreign advisers and introduced a series of reform measures designed to transform economic arrangements and incentives and the way in which the economic system operates.

The economic reform packages represent an attempt to revamp the rules of the game in virtually all aspects of economic life, especially with regard to trade and industry, foreign investment, banking and finance. Assessing what this might mean or how it may work in the Indonesian context is problematic and subject to various interpretations. It is necessary (and much easier) to describe the specific reform packages before trying to evaluate their broader economic and political implications.<sup>2</sup>

The new approach to commercial policy began with the broad reduction of tariff rates announced in March, 1985, which was followed by a dramatic reform of customs administration under Presiden-

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<sup>1</sup>For more details, see Geoffrey B. Hainsworth, "Indonesia: Bonanza Development Amidst Shared Poverty," *Current History*, December, 1979; "Dilemmas of Development in Indonesia," *ibid.*, December, 1980; "The Political Economy of Pancasila in Indonesia," *ibid.*, April, 1983; and "Indonesia's Economic Downturn and Political Reforms," *ibid.*, April, 1987.

<sup>2</sup>Some of the information included in the first two sections was drawn from Mari Pangestu, "Economic Policy Reforms in Indonesia," *The Indonesian Quarterly*, vol. 17, no. 3 (1989), and from Richard R. Barichello, "Indonesian Trade Reform in the Mid-1980's: Policies, Process and Political Reform," unpublished paper prepared for the HIID Conference on Systems Reform in Developing Countries, October, 1988.



tial Instruction No. 4 in April, 1985. Responsibility for customs clearance was removed altogether from the Customs Department, and a Swiss firm (Société Général de Surveillance) was appointed to administer documentation and tariff collection at 140 foreign points of origin before goods arrived in Indonesia. Interisland shipment was considerably deregulated, reducing documentation, rationalizing port fees and allowing foreign carriers to operate more freely. Restrictions were also removed from the choice of carrier in international transactions.

A second major package of reforms was introduced in May, 1986, aimed especially at removing the bias against exports, and at encouraging foreign investment in export activities. Duties were eliminated on several imported components intended for re-export, and duties were imposed on other components imported by joint venture export companies. A bonded duty-free zone was established in Jakarta. The list of industrial sectors and business categories open to foreign investment was considerably widened, up to 90 percent foreign ownership was now allowed for export-oriented investments, and joint ventures with 75 percent or more Indonesian equity were allowed to market their product in Indonesia. An investment reform package in June, 1987, deregulated the periodic license renewal process for foreign firms operating in Indonesia and simplified the rules for capacity expansion and product diversification, especially for potential export items.

Devaluation of the rupiah (Rp) by 31 percent against the United States dollar (U.S.\$) in September, 1986, removed another obstacle (the excuse of an "overvalued currency") for Indonesia's exporters. This was the third devaluation in less than a decade (the rupiah was devalued by 34 percent in 1978 and by 28 percent in 1983), and it has been judged the most successful in terms of its timing, the surprise element, and the containment of subsequent inflation that might otherwise have eroded the competitive advantage. Because the rupiah was loosely linked to the United States dollar and the dollar subsequently slipped in value against the yen and European currencies, Indonesian exporters continued to benefit from rupiah depreciation against such currencies. The obverse of this, however, is that the import equivalent of Indonesia's export growth was significantly eroded, and the burden of servicing outstanding debts denominated in yen and other appreciating currencies was made significantly heavier.

Three other trade reform packages followed in October, 1986, January, 1987, and December, 1987. These ended the general exporter license system so that only a business permit was required to export. Export bans were removed on 10 items

(mostly wood products, although the ban on raw log exports was retained, and a ban on unprocessed rattan has since been imposed). A start was made in reducing nontariff barriers on imports although, in many instances, tariffs replaced the quotas and other restrictions. (The December, 1987, package, for example, involved 156 tariff changes, of which 65 were decreases and 91 were increases.) Tariffs, however, have the advantage of being more transparent and predictable, less coercive and discriminatory, and are probably easier to reduce by stages subsequently.

Some initial progress was also made in simplifying the cumbersome and often arbitrary system of import licensing. The number of products covered by "sole agent licenses," for example, was reduced from 278 to 70, although such monopolies remain very lucrative for favored individuals and selected agencies and are very onerous on certain industries (auto assembly, machinery and equipment, and industries using iron, steel, tin, wire and plastic components). Thereafter, more items could be imported directly by user firms, but import restrictions were tightened on a few key products, and some of those previously deregulated slipped back under new sets of regulations. Other reforms in November, 1988, reduced nontariff barriers on raw materials used in plastics and steel production. Interisland shipping was also substantially deregulated, and foreign firms were allowed to distribute their own products by setting up local joint venture companies.

## **BANKING AND FINANCE REFORMS**

A second series of reform measures sought to broaden the scope of activities and improve the effectiveness of Indonesia's banking and financial system. Banking deregulation began in March, 1983, when controls were relaxed on state bank interest rates, liquidity requirements and credit ceilings. During the bonanza years, state banks were used as conduits for subsidized credit to priority sectors, but they are increasingly expected to operate on a competitive commercial basis.

More far-reaching financial sector reforms were introduced in two packages in October, 1988, and December, 1988. The restrictive licensing system for banks was eliminated, enabling new private banks and new foreign joint venture banks to be established. At the same time, limits were placed on "in-house" lending to related firms and individuals so that conglomerate partners would have to pay commercial rates for at least part of their credit. Smaller banks should receive a share of this business, and a broader range of customers will have access to bank credit. It was also made easier for banks to open new branches, and foreign banks

with at least 50 percent of their portfolios in export credits are to be allowed to open branches outside Jakarta in six additional cities (Bandung, Semarang, Surabaya, Denpasar, Medan and Ujung Pandang). Many new banks and branch offices have subsequently appeared, and there has been intense competition (including lotteries and door-to-door soliciting) to attract new depositors. The seven state-owned banks still conduct the lion's share of Indonesia's banking, but their dominance should gradually decline. (At the end of 1988, they owned 75 percent of banking assets, earned two-thirds of banking profits and held 60 percent of outstanding credits.)

Bank Indonesia, the central bank, is also reorienting its relationship with the banking community, improving its scope for moral suasion, and becoming more willing to listen to problems and to serve as a two-way conduit for reform proposals. Bank Indonesia has made it clear that insolvent banks can no longer automatically look to it for bailouts. It is in process of broadening the distribution of foreign exchange licenses (hitherto limited to state banks, foreign banks and a dozen private banks), and it is hoped that a fully self-operating money market can be developed within two or three years.

A move to reduce government intervention in the state-owned Jakarta stock exchange was inaugurated with a reform package in December, 1987. The limits on share price movements were removed, and over-the-counter trading was permitted for the 27 stocks and 16 bonds listed on the exchange. A broader agency system, including new underwriters, is to be introduced, and new underwriting rules are to be announced soon. The volume of stock exchange transactions had passed Rp350 trillion by August, 1989 (compared to Rp31 trillion for all 1988). A second, privately run stock exchange in Surabaya was also allowed to begin operations in June, 1989.

Foreigners are now permitted to purchase shares in Indonesian capital markets. Foreign portfolio investment was especially encouraged with relaxation of rules in September, 1989, regarding share ownership. Foreign investors can now own up to 49 percent of shares issued by Indonesian companies and can purchase up to 49 percent of any share listed or traded on the Jakarta exchange. The only exception is that foreigners are not allowed to own shares in Indonesian banks. However, joint ventures (which include foreign participation) are to be treated as domestic firms and no limits are placed on the number and type of shares they own, including banking shares.

The abrupt drop in oil prices and reduced earnings from oil and gas throughout the 1980's (which

had accounted for two-thirds or more of both foreign exchange earnings and government revenues in the 1970's) made it imperative that austerity measures be imposed immediately and that new domestic and international sources of finance be found as soon as possible. A major tax reform was enacted in April, 1984, which upgraded the income tax and sales tax, and a value-added tax was introduced, all of which contributed significantly to revenue enhancement. Foreign borrowing, however, steadily increased, and rising world interest rates and rupiah depreciation added substantially to Indonesia's debt-service burden.

Austerity, however, cannot go on forever without dire political consequences, and government expenditure for fiscal year 1989-1990 is projected to increase by 26 percent to Rp37 trillion (U.S.\$21 billion). Based on an expected price of oil of \$14 a barrel, oil revenues for fiscal year 1989-1990 are expected to decline by a further 11 percent, and to finance only 22 percent of budget outlays (compared to 31 percent in 1988-1989). Non-oil revenues are expected to rise by 34 percent to cover about 47 percent of the budget (compared to 45 percent last year); and foreign borrowing is expected to increase by 58 percent, to Rp11.3 trillion (U.S.\$6.6 billion) to finance the remaining 31 percent (as against 25 percent last year).

This greatly increased inflow of foreign aid still falls short of debt-service payments scheduled for 1989-1990 of Rp12 trillion (U.S.\$7 billion). Total debt outstanding and the debt-service ratio will thus rise again precipitously. Indonesia's foreign debt of U.S.\$50 billion is already the highest debt in Asia, with a debt-service ratio close to 40 percent (mid-1989), which could rise perilously above 45 percent or even 50 percent in the early 1990's.

This predicament of public financing helps to underscore the pressing need for private sector funding, both domestic and foreign, if Indonesia is to have a chance of achieving its development goals. Investment requirements of Rp239 trillion are projected under Repelita V, with 55 percent of this expected to be financed privately, and the rest funded by government and foreign aid. While the financial reforms have greatly increased liquidity flowing into and around Indonesia's capital markets, it is less certain how much of this can be converted into business venture capital and long-term investment.

Indonesia is attracting more foreign capital inflow, both for short-term speculation and for long-term investment. Foreign investment approvals jumped to U.S.\$45 billion in 1988, more than triple 1987 commitments. Taiwan and West Germany each invested about U.S.\$1 billion, while United States investments reached U.S.\$672 million, and Japanese investments totalled U.S.\$256 million.

These investments were heavily concentrated in wood processing, tourism, textiles, petrochemicals and other export-oriented fields. Estimates for 1989 suggest a major jump in Japanese investment (especially in hotels, petrochemicals and joint banking ventures), and additional commitments from Taiwan and South Korea, which should mean a sharper increase in total foreign investment. The hope is that more of this can be attracted into industrial joint ventures to serve the local market in order to lever in more local equity and local management participation.

## DEREGULATION AND PRIVATIZATION

Deregulation and privatization are hot global buzzwords, because even Communist nations strive to implement them as a new orthodoxy for economic renewal and realpolitik. These concepts, however, are ambiguous, especially when applied as general prescriptions to societies with varying institutional arrangements. These buzzwords simply mean reducing government intervention in the economy and increasing the scope for market forces. But deregulation can also increase the power of private monopoly and the ability to pollute and to act unsocially; privatization can also mean giving freer rein to greed and opportunism in societies already marked by wide and blatant inequalities. As Thatcherism and Reaganism have clearly shown, the outcomes can be a mixed blessing.

In the Indonesian case, what seems to be happening (and perhaps what ought to happen) is not so much deregulation as re-regulation. There has been some obvious deregulation (for example, the number of fields closed to foreign investors has been reduced from 209 to 20), but there have been more instances where convoluted sets of restrictions have been replaced by simple rules (as in the replacement of import quotas and licensing systems by straightforward tariffs). Indonesia remains a developing country in which a case can be made for "infant industry" protection, for planned resource management and for social impact assessment of development strategies.

It is debatable, on the evidence so far, whether the various reform packages are in fact paving the way to privatization (and whether it would be desirable if they were). The term privatization is generally avoided by Indonesian officials, as it often connotes an increase in the economic sphere of operations either of the wealthy indigenous Chinese community or of the large foreign-affiliated cor-

porations, both of which can provoke a hostile popular response. The need for state control over the economy, over national resources and over the vital branches of production is entrenched in the constitution, in order to protect the economy from private and foreign exploitation.<sup>3</sup>

There are many reasons why, even if the intention exists, it would be difficult to implement a broad-scale privatization plan. To begin with, many formidable interests are poised against it. These include bureaucrats whose jobs and perquisites would be at stake, most sections of the military whose salaries are openly supplemented by earnings from quasi-public business enterprises, and the large sections of the business community whose profits depend on subsidies and state contracts. There are also the economic nationalists and the Muslim fundamentalists who abhor Western consumerism and capitalism, and those who expect government to intervene for redistributive purposes (whether in the form of food subsidies, price controls, job creation, social programs or regional development projects). And, finally, there are those who doubt whether there is the requisite managerial and industrial investor experience in the *pribumi* (non-Chinese) private sector, and whether state-initiated, as against demand-led, privatization might not be "pushing on a string."

Nevertheless, the government has specifically committed itself to reducing the size of the state-owned and state-subsidized sector. State banks and state-owned enterprises have come under increasingly hard-nosed scrutiny as a result of the reformist campaign. However, privatization in this perspective means cutting out the deadwood and dumping it on the private sector; but this is just what the private sector does not want to buy. Government would be horrified to lose its profitable branches, as these contribute substantial revenues that would be more difficult to collect as taxes, and that might be hidden or sidetracked under private ownership.

Finance Minister J.B. Sumarlin issued a report in June, 1989, that identified two-thirds of Indonesia's 189 state-owned companies as "unhealthy" (in terms of profitability, liquidity and solvency). He suggested five options: mergers with other state companies; splitting off subsidiaries; bringing in private managers on short-term contracts; forming joint ventures by selling shares through the stock market; or private replacement. And he has set

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<sup>3</sup>An excellent historical survey of state economic intervention in Indonesia, and a discussion of deregulation and privatization, can be found in Mari Pangestu and Ahmad D. Habib, "Trends and Prospects in Privatization and Deregulation in Indonesia," *ASEAN Economic Bulletin*, March, 1989.

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# BOOK REVIEWS

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## ON SOUTHEAST ASIA

**SECOND CHANCE: THE UNITED STATES AND INDOCHINA IN THE 1990s.** *By Frederick Z. Brown.* (New York: Council on Foreign Relations, 1989. 150 pages, glossary, appendix and index, \$14.95.)

The focus of this volume is rebuilding United States policy toward Indochina. Frederick Z. Brown says that recent United States administrations have been "unimaginative and slow to respond to the challenges of a changing situation." He considers various United States policy imperatives and possibilities in a clear-eyed fashion. Written recently enough to include the impact on Southeast Asia of the popular uprising and retrenchment in China (but not the Vietnamese withdrawal from Cambodia), this discussion provides an up-to-date and frank evaluation of the missed opportunities and second chances for the United States in Southeast Asia.

Debra E. Soled

**REVOLUTIONARY STRUGGLE IN THE PHILIPPINES.** *By Leonard Davis.* (New York: St. Martin's Press, 1989. 188 pages, appendix, bibliography and index, \$39.95.)

Recent events in the Philippines remind us that the struggle there is not yet over. In this study, Leonard Davis begins by posing the very questions that continue to plague the country: What went wrong after Aquino came to power? Why does the struggle continue? And what do Filipinos want?

In framing his answers, Davis concentrates on the Communist and leftist insurgency (tracing the roots of leftist opposition back to the Spanish-American war of 1898, if not before), and thus accounts for only one element threatening President Corazon Aquino. He believes that although the Armed Forces of the Philippines (AFP) were responsible for the government-sponsored killings under President Ferdinand Marcos, Aquino has not acted against military abuse nor has she brought to justice those members of the AFP who were responsible. In spite of the trappings of democracy, he claims, the 1986 elections only served to show how old-style politics complement the army and personal networks. Moreover, Aquino has not instituted the necessary land reform. For those on the left, Aquino is a member of the same feudal aristocracy that has ruled the Philippines for centuries.

In its description of the guiding philosophy and the role of the insurgency in the Philippines, this is a valuable study, best read as an adjunct to a study of rightist military opposition. However, the value of Davis's descriptions is diluted by the anti-American polemics in his final chapters.

D.E.S.

**OUTRAGE: BURMA'S STRUGGLE FOR DEMOCRACY.** *By Bertil Lintner.* (Hong Kong: Review Publishing Company, Ltd., 1989. 267 pages and index, \$18.95.)

Bertil Lintner, the Burma correspondent for the *Far Eastern Economic Review*, chronicles events in Burma in 1988, drawing on first-hand sources and eyewitness accounts. The tale told here goes beyond what Lintner was able to put into his articles at the time, under the deadline pressure of a weekly magazine.

The events of March, 1988, are recounted in detail, beginning with the incident that led to Ne Win's downfall: a teashop brawl between students and a drunk who turned out to be the son of a local government official. Reaction to police treatment of the students and the subsequent cover-up escalated into generalized antigovernment protest among the students.

The description of the *melée* that followed is reminiscent of recent events in China—but with a twist. The demonstrations continued to build and eventually resulted in the dramatic overthrow of the unpopular Ne Win government.

Lintner crams a great deal of detail into his review of the year's events and the history of Ne Win's rule, clarifying what from the outside looked like total chaos at the time. From the present vantage point, the new government is evidently "old wine in new bottles." But continuing events led Lintner to conclude that the movement toward democracy is irreversible. What he does not say is whether even a multiparty democracy is capable of governing the country and reversing the economic fortunes so squandered by the authoritarian government.

The book includes an indispensable chronology from August, 1987 to March, 1989, and brief biographies of important figures. Though less informative on the actual strengths and abilities of those who aspire to take control of the government in Burma than on the details of what transpired, this is vital reading for anyone trying to make sense of current Burmese politics. D.E.S.

## MALAYSIA

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first nine months of 1989). But Taiwan is now second, with M\$1.7 billion in the same period, three times as much as a year earlier. Singapore is third, with a concentration of investment in the nearby state of Johor.

Malaysia's exports to other members of the Association of South East Asian Nations (ASEAN)—Thailand, Indonesia, the Philippines, Singapore and Brunei—have risen significantly. From M\$40 million in 1983, they climbed to M\$183 million in 1988 and the trend continued into 1989. Malaysia has recently opened up new markets for its palm oil exports, notably South Korea, Iran and China. In addition, it now ranks fourth in the world in cocoa production.

In spite of such favorable developments, by mid-1989 it was clear that import payments were exceeding export earnings and that the current account surplus would shrink in 1989—and might even turn into a deficit by 1990. Another disturbing feature was the fact that, in spite of economic growth, unemployment was still as high as 8 percent. The level was even higher among recent graduates. Inflation was expected to reach about 4 percent by early 1990, although the probable decline in the rate of growth thereafter would reduce it.

In tune with the rather mixed economic signals, Finance Minister Datuk Padukah Daim Zanuddin's October, 1989, budget for 1990 adopted a wait-and-see attitude. There were no major tax changes but, perhaps with an early election in mind, there were reductions in duties on some household goods, sporting items and motorcycles and in taxes on hotel and tourist services.<sup>10</sup>

## NEW AND OLD POLICIES

As 1990 approached, the policy agenda—political, economic and social—was dominated by the knowledge that the NEP was due to end that year.<sup>11</sup> Started in the early 1970's, it aimed at reducing poverty and improving the economic condition of Bumiputras (Malays and other indigenous peoples). By 1989, the poverty targets had been substantially achieved (poverty had fallen to 17 percent by 1987), although some critics disputed gov-

<sup>10</sup>*Asiaweek*, November 10, 1989, p. 20; *AWSJ*, October 30, 1989, p. 5.

<sup>11</sup>James V. Jesudasan, *Ethnicity and the Economy: The State, Chinese Business and Multinationals in Malaysia* (Singapore: Oxford University Press, 1989); *Aliran*, vol. 9, no. 5, pp. 3-10; *The Rocket*, vol. 22, no. 6 (1989), pp. 14-15; *FEER*, February 2, 1989, p. 30, June 22, 1989, pp. 28-33.

<sup>12</sup>Gordon P. Means, "The Politics of Ethnicity in Malaysia," *Current History*, vol. 86, no. 519 (April, 1987), p. 169; *ST*, September 30, 1989, p. 15.

ernment definitions of poverty, and others deplored the unequal distribution of income and wealth. The second objective had been largely attained—placing Bumiputras in economic sectors and at occupational levels where, previously, they had been greatly underrepresented. But the 1990 target of 30 percent Bumiputra ownership of corporate assets will not be attained. Nor, incidentally has the NEP produced many Bumiputras with genuinely entrepreneurial capabilities.

The question was: would the NEP be continued and, if so, in what form? Many non-Bumiputras, including the MCA, believed that it should cease and claimed that government figures underrated the actual percentage of Bumiputra ownership. They would have preferred affirmative action policies benefiting deprived individuals—not racial groups—or setting corresponding non-Bumiputra percentage quotas for civil service jobs and entry to tertiary educational institutions and scholarships. Some Bumiputras, on the other hand, wanted their ownership targets to be raised to 50 percent. In 1989, a National Economic Consultative Council (NECC) was appointed, composed of equal numbers of Bumiputras and non-Bumiputras. The NECC will not report until 1990, but already some non-Bumiputra members have expressed strong doubts that it will produce a genuine consensus. In any case, the committee is purely advisory and contains very few Bumiputras with political clout. Given the parameters of Malaysian politics, it seems inconceivable that the government would alienate its main base of political support by failing to continue the NEP.

The NEP seeks not only to expand Bumiputra ownership but also intends to limit foreign ownership to 30 percent. The paradox is that the present level is nearer 20 percent. It has therefore become a major government mission to increase foreign investment, particularly since the recession. The NEP has granted one substantial concession—there may be majority foreign ownership of a firm if more than half its production is exported and it employs 350 people or more.

In his early years as Prime Minister, Mahathir introduced several new policies that were distinctively his own.<sup>12</sup> Some of these have since been intensified, while others have been pursued less resolutely. The "Look East" policy has continued in the sense that Japan's trading and investment relations with Malaysia have become even more dominant. But Japan's reluctance to transfer technology has made it less admirable as a model. Malaysia's concentration on heavy industry was considerably dented by the failure of the Perwaja steel plant, which had to be rescued (at an estimated loss of be-

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## THAILAND

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above politics, he has intervened when he believed the stability of the kingdom was jeopardized.

The King's extraordinary support throughout his realm heightens the citizenry's concern about a succession. Next in line is the crown prince, who is being groomed to assume monarchical duties. At present, he does not command the same veneration as the King. Because the King is the symbol of all that is great in Thailand, a contentious succession could undo the present high level of stability by unleashing forces now held in check by the knowledge that the King would object.

### DOMESTIC ECONOMY

For three decades the Thai economy has grown at an average annual rate of 7 percent.<sup>1</sup> Even during short-term periods of global recession, its growth rates were higher than those of all but a few of the world's nations. Since 1986, the growth rates have been the highest in the world, averaging almost 10 percent. These spectacular percentages have been achieved while inflation has been kept under 3 to 4 percent. Although the gap between Thailand's rich and poor increased during this period of growth, virtually every socioeconomic group in the kingdom enjoyed an improvement in its standard of living.

The spectacular economic growth rate is only one indicator of the dynamic Thai economy. The export sector has also grown faster than that of almost every other nation. From 1986 to 1989, the growth rate has averaged 25 percent each year. Foreign investment has grown at a similarly rapid rate, with Japan, Taiwan, the United States, Hong Kong and South Korea, respectively, the leading investors. Manufacturing is now responsible for a larger share of the gross domestic product than agriculture. Manufactured exports are the heart of the economic growth.

While 70 percent of the Thai people work in the agricultural sector, the number working in rice farming is steadily decreasing. Thai farmers have diversified into crops like vegetables, fruits, maize, tapioca, coffee, flowers, sugar, rubber and livestock. Although this diversification has mitigated short-run recessions based on the world market for rice, the growth rates for agriculture, averaging just over 2 percent per year, are less than those for industry.

The urban bias of Thai economic development is

<sup>1</sup>Much of the following information comes from Jurgen Ruland, *Another Asian Miracle Economy in the Making? Thailand's Prospects for Becoming a NIC in the Nineties* (Freiburg, West Germany: Arnold Bergstraesser Institut, 1989).

clear from the emphasis on manufacturing and from the fact that the bulk of earnings from tourism (over \$3 billion in 1989) flows into the Bangkok economy. Tourism has become Thailand's largest foreign exchange earner; an estimated 5 million tourists visited Thailand in 1989.

The factors responsible for the kingdom's economic successes include a commitment to free-market, export-driven policies, carried out by highly trained and generally conservative technocrats. These bureaucrats are not as steeped in personalistic, clientelist politics as their predecessors or their peers in neighboring countries. For the most part, those in charge of economic policy have carefully screened pending development projects to make sure that they will contribute to overall economic growth.

Also facilitating the rapid economic growth has been a long period of political stability. Thailand's history of coups d'état (14 coups since 1932) has suggested that instability is the dominant characteristic of Thai politics. However, these coups have rarely changed the policy continuity of the political sphere. On the contrary, Thai politics has adhered to a consistent set of policies; incremental rather than fundamental changes are the norm.

One example of such consistency is the government's toleration for the continuing significant role of the Sino-Thai community in the kingdom's economic affairs. The vital involvement of Thailand's Chinese minority cannot be overestimated as a factor in the vibrancy of the economy. This dynamic urban-oriented entrepreneurial group has provided leadership in banking, export-import manufacturing, industrialization, monetary policy, foreign investment and diversification. On only a few occasions, when nationalist pressures were high, has the government deliberately oppressed the Chinese. The autonomy usually granted the Chinese has resulted in an entrepreneurial minority's reinvesting its profits in the kingdom, with comparatively little capital leaving the country.

It is difficult to calculate the economic impact of Thailand's successful program to curtail population growth. In just one generation, Thailand has managed to lower its population growth from 3.0 percent to 1.5 percent. The decrease resulted from a massive government-sponsored education program that has changed attitudes about optimum family size and that has made birth control devices available throughout the kingdom. Although it is too early to calculate precisely how this demographic change will affect the Thai economy, it is already clear that, in terms of human resource development, the impact is great. The figures for four years of educational attainment and literacy (both over 90 percent) are higher than ever, while



those measuring poverty rates are lower (57 percent in 1962; 29 percent in 1986).

Despite the successes of the Thai economy, serious problems must be resolved. The greatest obstacle to continued economic growth is the deterioration of infrastructural facilities. Car traffic in Bangkok is gridlocked most of the day, and port facilities cannot handle the growing ship traffic. Electricity is scarce and telecommunications are unreliable. One attempt to ease these problems is the government's policy of decentralizing industries to sites outside Bangkok. The massive Eastern Seaboard Development Program, more than 100 miles from Bangkok in Chonburi Province, is the most visible example of the government's strategy to diversify industrial and infrastructural development outside Bangkok.

A second serious problem is the depletion of Thailand's natural resources, especially its forests. The proportion of forest areas in Thailand was reduced from 53 percent in 1961 to 29 percent (some experts estimate 17 percent) in 1985. Floods, soil erosion and droughts have resulted from the government's almost total lack of control over the logging industry. Although the Forest Closure Decree of 1989 may slow the destruction, the environmental damage is already incalculable.

For Thailand to sustain its economic development, there must be improvement in human resources. The number of college graduates in the "hard" sciences and technology is not sufficient to meet developmental needs. Thai universities graduate fewer than 3,000 engineering students each year, but the demand is for three times as many. Moreover, there has been a "brain drain" of the most qualified technocrats from the public to the private sector because of the huge salary differential between the two sectors. Salaries in the business world are approximately ten times salaries in government service.

One further difficulty of the Thai economy stems, ironically, from its very success. Foreign investment and foreign trade have made the Thai economy vulnerable to the vagaries of the world's capitalist system. Thus far, the economic policymakers have diversified imports and exports sufficiently to assure that a downturn in one sector will not cripple the overall economy.

Concentration on urban-based industrialization has tended to result in the neglect of Thailand's agricultural majority. With the agricultural sector growing more slowly than the manufacturing sector, there is an increased gap in the socioeconomic status of urbanites and rural citizens. As the income gap increases, with the poorest quartile losing its income share vis-à-vis the richest quartile, the potential for instability increases correspondingly.

## FOREIGN RELATIONS

Thailand's foreign relations must be seen in the context of the new, international sweep of change that has transformed the once dominant, bipolar world of Communists and anti-Communists into a more fragmented and interdependent world of competing centers of power. The most obvious manifestations of this new world order include the policy of glasnost in the Soviet Union; the rise of new centers of power in the Pacific Rim, the European Community, China and the Soviet Union; the withdrawal of Vietnamese troops from Cambodia and the perception that there are no regional threats to Thai security; and the decline of a United States security role in Southeast Asia.

Internal considerations have also brought changes in Thai foreign policymaking. Thailand's sustained economic development and the rise of business and other non-bureaucratic interests in the political sphere are partially responsible for the new directions. Prime Minister Chatichai's Council of Academic Advisers has viewed these changes as an opportunity for Thailand to reassess its foreign policy and to initiate policies more appropriate to the new international order. The thrust of these initiatives is in the direction of a "new nationalism," of normalization of relations with the Indochinese nations, and of focus on economic rather than security relations. Chatichai has emerged as the leader for these new directions, while the Ministry of Foreign Affairs has had to subordinate its views to those of the academic advisers.

The "new nationalism" has taken the form of relating to the United States as an equal rather than as a client. Under Chatichai, Thai foreign policy has lessened security dependence on the United States, asserted a policy of "equidistance" in its relations with allies and adversaries, and launched a dramatically new Indochina policy without seeking the support of the United States.

The clearest example of the new era of Thai-United States relations concerned the intellectual property rights (IPR) controversy. From the perspective of the United States, the issue concerned the lack of Thai protection of the copying of American products: protection of computer software copyrights and pharmaceutical patents, as well as fairness in trade relations. From the Thai perspective, the issue has been defined in terms of American protectionism and "bullying" of a longtime ally, nationalism and economic development.

The issue symbolized the new importance of economic concerns and the decline of security considerations in relations between the two nations. Moreover, the issue showed the new importance of various forces in determining Thai foreign policy. Until recently, the military dominated foreign

policy in Thailand, with leading bureaucrats in the Ministry of Foreign Affairs, Cabinet ministers and political party leaders playing secondary roles. Regarding the IPR issue, the United States had to consider the reactions of the military, the Ministry of Foreign Affairs, advisory councils of the Prime Minister, the Prime Minister himself, the Parliament, mass media and activist students, all of whom played a role in resolving the IPR dispute. The IPR negotiations were far more complex than those of the past, when United States officials could deal directly (and solely) with military leaders.

For the Thai government, the IPR controversy was another in a series of issues that had brought about a crisis in United States-Thai relations. Foreign Minister Siddhi Savetsila spoke about the "cracks developing in the reservoir of goodwill" that had been built during the century and a half of friendship. The first crack came with the United States Farm Act and the textile quota bill (both viewed by Thais as protectionist acts) and then with American demands that economic sanctions be applied to Thailand if the Thai government did not amend its copyright laws in keeping with United States wishes.

Domestic politics played a role in Thailand's response to these demands. Chatichai's desire to play an active role in foreign policy caused tension between the Prime Minister and the Ministry of Foreign Affairs, especially because Foreign Minister Siddhi is the leader of a coalition but also of a rival political party. Controversy over the Parliament's Copyright Bill caused defections from the coalition, dissolution of the Parliament and, eventually, new elections. Academic advisers convinced Prime Minister Chatichai that a strong stand against American demands would be popular, a view that turned out to be accurate.

IPR became a rallying point for Thai sovereignty and its break from traditional patron-client ties with the United States. The response to United States cuts of about \$165 million in Thai benefits under the Generalized System of Preferences (GSP) did not appreciably affect Thai exports. From the Thai perspective, the political gains of resisting American pressure more than compensated for the loss.

The new tone of United States-Thai relations reflected Thailand's growing importance in the world economy. Major aspects of United States-Thai relations include financial aid, joint military exercises, collaboration on Thai-Cambodian relations, common efforts to save Indochinese refugees, cooperation to wage war on narcotics and support for the Peace Corps. More important, the relationship has irrevocably changed as each nation finds its way in the new era of international relations and domestic political and economic forces.

A centerpiece of Chatichai's new foreign policy initiatives is the movement toward normalization of relations with Vietnam, Laos and Cambodia. An abrupt change in policy resulted from the view of the Prime Minister's advisers that Vietnam no longer constituted a direct threat to Thai security; Vietnam itself desired normalization; closer economic ties would do more to lessen tensions between the two nations than confrontation; and Thailand could be master of its own destiny. The last point referred to the Thai government's willingness unilaterally to forge new relations with its neighbors, without consultation with the United States or ASEAN (Association of South East Asian Nations) allies.

Chatichai's invitation to Hun Sen, the Prime Minister of the Phnom Penh government, to visit Bangkok is a striking example of the government's willingness to move from entrenched policies and take a leadership position in resolving regional problems. The Thai Prime Minister involved himself personally in the complex negotiations, designed to secure a cease-fire in Cambodia and to head off a civil war. However, his efforts could not alter the failure of the Paris peace accords to negotiate a plan for governing Cambodia after the withdrawal of the Vietnamese military. By the end of 1989, Thailand's policy with regard to assistance to Cambodia's coalition of rebel forces, including the Khmer Rouge, was not clear. This policy remains important because of increased fighting after the departure of the Vietnamese.

In 1989, Thailand and Laos began cooperating to secure their common border. High-level meetings reduced the tensions between Laos and Thailand that had begun after the Communist takeover in 1975. The resolution of their border fighting in 1987-1988 over disputed territory facilitated the warming of relations. The major element of the new ties is flourishing trade, to be capped with a bridge across the Mekong River to facilitate the transport of trade items.

Economic relations have replaced security ties as the kingdom's major foreign policy concern. Because the Thai economy is now integrated into the world capitalist system, the nation's stability is increasingly vulnerable to external pressures and fluctuations. That explains why the perceived protectionism of United States trade policy has been regarded with alarm. Although Thailand has enjoyed a billion-dollar per year surplus in trade with the United States, the importance of the trade relations is asymmetrical. With Thai exports to the United States accounting for only 1.2 percent of United States imports, and United States exports constituting almost 20 percent of Thai imports, the United States market is more vital to the Thai econ-

omy than the Thai market is to the United States.

Thailand today is fundamentally different from Thailand of a decade or two ago, when the military-dominated bureaucracy controlled society. Democratization and economic development have flourished; new groups have emerged; and a far more confident Thai society has evolved. The challenges—sustaining the high economic growth rates, narrowing the widening gap between rich and poor, ending personal corruption, planning for the monarchical succession and terminating the destruction of the kingdom's natural resources—must be met and resolved by Thailand's new leadership. ■

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### UNITED STATES SECURITY POLICY AND ASEAN (Continued from page 100)

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struction, and even to consider some kind of formal relationship with Indochina.

The ASEAN orientation is epitomized by Thai Prime Minister Chatichai Choonhavan's plan to transform Indochina from a battlefield into a marketplace. Thai businessmen see Indochina both as a new source of raw materials and as a location for investment in labor-intensive manufacturing, once Cambodia's future is resolved. Although some détente developed in the late 1980's between China and Vietnam, permitting unofficial cross-border trade between the two neighbors, China has not endorsed Chatichai's vision for a prosperous Indochina; this suggests that ASEAN and Chinese strategies will continue to diverge.

The failure of the Paris talks in the summer of 1989 to arrange a comprehensive settlement in Cambodia illustrated that neither Hanoi's client government led by Hun Sen nor the Khmer Rouge believed that it was necessary to compromise.<sup>18</sup> Each believed that it could ultimately prevail on the battlefield as long as the resistance had external sources of support through Thailand and as long as Hun Sen was sustained by the Soviet Union and Vietnam. United States intelligence sources claimed that the Soviet Union had doubled its

<sup>18</sup>A good review of the diplomatic and political positions of all Cambodian participants is found in Douglas Pike, "The Cambodian Peace Process: Summer of 1989," *Asian Survey*, September, 1989, pp. 842-852.

<sup>19</sup>This analysis was made by FEER correspondent Nayan Chanda in a presentation to the Asia Society, Los Angeles, September 8, 1989. Also see Paul Lewis, "Soviets Said to Double Cambodia Aid," *The New York Times*, October 6, 1989.

<sup>20</sup>Muthia Alagappa, "Malaysia's View of Cambodia," a presentation made to the Asia Society, Los Angeles, September 8, 1989.

<sup>21</sup>These contradictory views were expressed by Secretary Baker at the July ASEAN summit and later by Assistant Secretary of State for East Asia and the Pacific Richard Solomon in an address to the Asia Society, Los Angeles, September 8, 1989.

military aid to Phnom Penh in 1989 over 1988 levels, including 100 T-54 tanks, armored vehicles, heavy artillery and 16 MiG-21 fighters.<sup>19</sup>

As fighting continues in Cambodia, United States policy and ASEAN preferences appear to be on separate paths, with Washington once again leaning more toward China's polarized vision of Southeast Asia than toward ASEAN's syncretic views. Thailand has indicated that it is prepared to tolerate a Cambodia under Vietnamese political influence so long as there are no Vietnamese forces there. Chatichai believes that over time Thailand's economic influence would more than compensate for Hanoi's relationship to the Phnom Penh government.<sup>20</sup> The United States insists, however, that only a comprehensive settlement based on Prince Sihanouk's demands for an interim four-part coalition government, including the Khmer Rouge (pending internationally supervised elections), will warrant United States diplomatic recognition of Vietnam.

United States policy toward Cambodia in 1989 was not a model of consistency, however, possibly reflecting differences within the Bush administration over such issues as the legitimacy of a Khmer Rouge role, whether Prince Sihanouk remains the best hope for a non-Communist Cambodia, and a residual desire to continue punishing Vietnam. High-level officials have variously stated that the United States will refuse to consider Khmer Rouge participation in a successor Cambodian government or that the Khmer Rouge should be included since Prince Sihanouk believes it is the only way to contain the Khmer Rouge before elections.<sup>21</sup>

The United States has not acknowledged that the only rule provided to Cambodia over the past decade is that of the Heng Samrin-Hun Sen regime. Insofar as administration and social services exist, they were created and implemented by the regime placed in power and subsidized by Hanoi and Moscow in 1979. The resistance has nothing to take its place. This reality would seem to undermine the American plan that the resistance should replace the Hun Sen government. Only a coalition that incorporates the latter is a meaningful alternative to the status quo. In fact, this preference was articulated by both United States Secretary of State James Baker and United States Vice President Dan Quayle in their addresses respectively to the ASEAN summit in July and, two weeks earlier, to the Heritage Foundation in Washington, D.C.

Yet by the fall of 1989, the Bush administration had resumed its earlier pro-China position in support of a Khmer Rouge role in an interim coalition government, refusing to deal with Hun Sen. Only active Vietnamese pressure on its ally to agree to a coalition government and subsequent elections su-



pervised by the United Nations would lead to normalization of United States relations with both Hanoi and Phnom Penh.<sup>22</sup> By imposing these new conditions for normalization, the United States maintains an international embargo on trade, aid and investment, thus further punishing Hanoi—apparently the continuation of America's post-Vietnam war legacy. Any new movement toward a compromise coalition will apparently develop only after the Khmer contenders test each other further on the battlefield.

## FUTURE REGIONAL SECURITY

If superpower détente translates into a reduction of forward deployed forces in Southeast Asia during the 1990's, are the ASEAN states considering an alternative security posture? Although a formal ASEAN defense arrangement is unlikely, the association's membership has developed norms and a structure for the management of disputes sufficiently successful that military budgets have been restrained. Moreover, through annual meetings with the world's major economic powers as dialogue partners, ASEAN has advanced its members' mutual interests in a global setting.

Militarily, two developments can be anticipated for the 1990's: a movement toward regional arms control and confidence-building measures (including the normalization of relations between ASEAN and Indochina); and efforts to effect higher forms of military cooperation within ASEAN. In 1989, Malaysian, Indonesian and Singaporean officials discussed prospects for ASEAN-wide maritime defense, including trilateral exercises. The establishment of a Thai-Chinese arms stockpile also points toward innovative security arrangements as a reduced United States presence seems probable, despite Malaysian and Indonesian objections to China as a long-term security threat.

However, the possibility of a United States exit from Southeast Asia apparently exacerbates the differences among ASEAN states' regional security views. Indonesia sees a great power withdrawal as the best opportunity to become the region's primary maritime power. Thailand, in contrast, believes that a relationship with China remains essential to balance Vietnam. Malaysia and Singapore seem to

be leaning toward Indonesia if Indonesia agrees to develop a cooperative defense arrangement for the Malacca Straits. The Philippines is too weak militarily and economically to make a regional defense contribution.<sup>23</sup>

Other clouds on the ASEAN-United States horizon cover economic relations. The United States is either the first or the second largest trading partner with every ASEAN state except Brunei. All, except Brunei, are in trade surplus with the United States; and all have benefited in the past decade from America's open market and insatiable appetite for foreign products. As Washington tries to put its economic house in order, however, efforts to expand United States overseas markets are regarded in Southeast Asia as attacks on ASEAN's economic growth. Pressures on Singapore, Malaysia and Thailand to revalue their currencies and remove restrictions on the entry of foreign goods as well as the need for local legislation to protect American intellectual property rights (patents and copyrights, particularly for computer software and pharmaceuticals) have led to charges that the United States is undermining its friends' prosperity.<sup>24</sup>

## THE PACIFIC POLITICAL ECONOMY

In an effort to transcend bilateral economic frictions and to develop a Pacific-wide forum to respond to the 1992 creation of a single European market, three major Pacific economic powers (the United States, Japan and Australia) convened the first ever East Asian-Pacific consultative conference in Canberra in early November, 1989. This unprecedented Pacific Rim conclave brought the United States, Canada, Japan, South Korea, Australia, New Zealand and the ASEAN states together, although it excluded Hong Kong, China and Taiwan for the time being because of the political sensitivity of their situations subsequent to China's crushing of the pro-democracy movement in Tiananmen Square in June, 1989.

The Pacific Rim gathering had its origin in a 1988 proposal by then Secretary of the Treasury James Baker, who believed that such a group would ensure a strong United States role in the Pacific, providing a counterweight to Japanese dominance. The group would also establish a formal link between the industrialized Group of Seven and Asia's newly industrializing countries (NIC's).<sup>25</sup>

ASEAN agreed to the initiative with reservations. The association did not want to see its own annual post-summit meetings with the industrial countries diluted in a larger organization. Malaysia, the Philippines and Indonesia were particularly wary, while Singapore and Thailand saw the enlarged economic consultative mechanism more positively, as an opportunity to discuss

<sup>22</sup>Robert Pear, "U.S. Is Reassessing Indochina Policy," *The New York Times*, September 24, 1989. See also the report of United States presidential envoy General John Vessey's remarks in Bangkok in the *Bangkok Post*, November 1, 1989.

<sup>23</sup>These prospects are discussed by Donald E. Weatherbee, *ASEAN After Cambodia: Reordering Southeast Asia* (New York: The Asia Society, June, 1989), pp. 17-24.

<sup>24</sup>Karen Elliott House, "Mahathir Charges U.S. Is Trying To Hold Back Asian Growth," *The Asian Wall Street Journal Weekly* (AWSJ), November 6, 1989.

<sup>25</sup>"Baker Proposes 'Pan-Pacific' Alliance," *AWSJ*, July 3, 1989.

regionwide trade and investment expansion. Kuala Lumpur warned that the meeting "shouldn't degenerate into a forum where the richer countries say everyone must do this or that." Washington indicated it would like the Asia-Pacific group to take common stands on trade issues in such multilateral negotiations as the Uruguay round—the current round of UNCTAD (the United Nations Conference on Trade and Development).<sup>26</sup>

The Canberra meeting led to a number of agreements, including the creation of working groups to explore ways of increasing regional trade (already one-third of total world trade, or more than \$200 billion in 1988), investment and technology transfer between rich and poor countries, and trade in services like telecommunications. New data systems will be devised to map these flows, which some officials foresee as eventually turning into a policy clearinghouse similar to the Paris-based Organization for Economic Cooperation and Development (OECD).<sup>27</sup>

In deference to ASEAN, the Asia-Pacific group agreed not to create a permanent secretariat and to convene every other meeting in an ASEAN state. (The next is scheduled for Singapore in mid-1990.) Among the issues of particular interest to ASEAN were the further opening of the Japanese market to add Japan to the United States as engines of growth for Southeast Asia and new investment and technology transfers to ASEAN to broaden its industrial base.<sup>28</sup>

While ASEAN apparently welcomes the new Asia-Pacific group's plans to promote more pan-Pacific trade and investment, that welcome is tempered by Indonesia's concern that, just as the great powers may be leaving the region militarily, a new economic obstacle to Jakarta's regional prominence has appeared. To reassure Indonesia, other ASEAN states have tempered their enthusiasm for the Asia-Pacific conference, even though their own development may lie in the success of conference plans. The challenge to ASEAN solidarity in the 1990's may emanate as much from the global economic order as from regional military changes. ■

<sup>26</sup>*Bangkok Post*, September 6, 1989; "Asia-Pacific Parley in Canberra Hoping to Lay the Groundwork for Cooperation," *AWSJ*, November 6, 1989.

<sup>27</sup>Jacqueline Rees, "First Step Taken," *FEER*, November 16, 1989, pp. 10–13.

<sup>28</sup>Charles Smith, "The Backroom Boys," *FEER*, November 16, 1989, p. 12.

## VIETNAM

(Continued from page 120)

As a result of this—and because of it—the Politburo's external foreign policy is marked by the same "hunkering down" syndrome as the domestic policy. Actually, the leadership has made as few foreign

policy decisions as possible in the past year or so. Internal political turbulence mitigates against initiatives or change of any sort at the international level. The Politburo apparently sees itself locked into an external situation over which it has no appreciable control. It has legitimate national security interests in Cambodia. Rapprochement with China is possible only if China is willing; to date, it has not been. World indifference, if not hostility, to Vietnam's plight appears likely to continue. That being the case, the Politburo reasons, its only choice is to endure, to outwait its adversaries. At the same time, it would probably say, Vietnam's condition is not so bad as to be unendurable.

## THE CAMBODIAN ISSUE

The Cambodian peace process represents the most important activity in contemporary Vietnamese foreign relations, tied to virtually all its bilateral relations and to most external problems.

Beginning in early 1989, feverish regional activity began to find ways and means to bring the forlorn little country of Cambodia back to peace and stability. The effort reached a climax of sorts in Paris in late July, 1989, with an 18-nation French-sponsored conference.\* By any measure, the conference accomplished little. How much of a failure it was depended on prior expectations—the more success one anticipated, the more one regarded it as a failure.

Hanoi's chief purpose at the conference was to extract whatever benefits it could from its decision, already made, to withdraw the last contingent of its 50,000 troops from Cambodia. Instead of expressing appreciation, many conference speakers asserted that Vietnam should never have invaded Cambodia and was simply rectifying that error. Throughout the conference, there was steady criticism of Vietnam for its use of "settlers," a code term to mean continued Vietnamese influence and control of Cambodia after the departure of its troops.<sup>4</sup> This was one of the two major torpedoes that sank the meeting.

The other difficulty was the failure to agree on the composition of the interim Cambodian government that was to supervise the establishment of a new governing structure in Phnom Penh—whether it was to be a two-party or a four-party interim. The code term here was "genocide." What was actually involved in this second issue was the role (or the non-role) of the Khmer Rouge in determining the future governing structure.

The behavior of the Vietnamese representatives

\*See also the article by Lewis Stern in this issue.

<sup>4</sup>Ethnic Vietnamese civilians living in Cambodia whose number varies from the official Cambodian figure of 80,000 to as many as 500,000.

in Paris during the last days of the conference was puzzling. Foreign Minister Nguyen Co Thach exhibited a rigidity that seemed insulting to his hosts as well as self-defeating. The best explanation for this is that midway in the conference the Politburo in Hanoi changed Vietnam's strategy. Its action was apparently based on its assessment that Vietnam would get nothing out of the conference for its troop withdrawal; worse, it would be made the scapegoat for the conference's failure.

Thach was ordered to take an utterly hard line. He was not able even to give his French hosts a fig leaf of accomplishment. This had been expected up to the final hour of the meeting, some token gesture (perhaps dealing with a United Nations peace-keeping mission) to demonstrate that some progress had been made in the peace process. Vietnam's rude stonewalling was obviously not in Hanoi's interests. It badly undercut months of patient diplomatic efforts by Thach and others with the ASEAN (Association of South East Asian Nations) states. Based on what is now known, the explanation for this behavior does not lie in Paris, or even in Cambodia, but in Hanoi, in the Politburo's corridors of power.

In the months after the Paris Conference, the question arose as to how much Vietnamese influence remained in Phnom Penh.<sup>5</sup> Obviously, with its military forces withdrawn, there was a precipitous drop in Vietnam's ability to control battlefield events. Further, with the State of Cambodia (SOC) moving away from a Leninist construct and back toward the center of Khmer politics—apparently with Hanoi's blessings—Vietnamese influence was further diminished. Actually, there was a diminution of the influence of all outsiders. The center of the peace process, as a result of the Paris meetings, shifted from outside to inside Cambodia. For the first time, whether there was to be peace or continued struggle in Cambodia largely rested with the indigenous Khmer. This was apparently satisfactory to the reformers in Hanoi, but it worried the conservatives and the military who feared the rise of a Cambodian government hostile to Vietnam.

The Sino-Vietnamese effort to improve relations has continued sporadically for nearly two years. Talks at the deputy secretary level have accomplished nothing visible.

United States-Vietnamese diplomatic intercourse during the same period underwent a series of zigs and zags, in part because of doctrinal disputation in Hanoi and in part because of indifference in Washington. Such activity as there was involved the resolution of the casualties issue and human-

itarian assistance. The position of President George Bush's administration is that there can be no United States diplomatic recognition of Vietnam until there is a "comprehensive" (as opposed to a "partial") settlement of the Cambodian problem.

This is a commendable position, but it is unobtainable in the foreseeable future. The question of recognition is somewhat divisive at the Politburo level. The quarrel is whether diplomatic recognition would bring economic benefits in the form of trade, technology transfer and possibly economic assistance or would give the United States an embassy in Hanoi. Many Politburo members doubt that United States economic benefits are forthcoming; that being true, they prefer to ignore the matter of recognition for the time being.

Vietnam today faces a national crisis of failed state policy and failed leadership. There is no longer much dispute among the Vietnamese about this nor of the imperative need for remedial change. Vietnam is unable to effect change when there is a universal desire for improvement because of the ongoing unresolved political struggle within the Politburo. The nation is caught up in the throes of a generational transfer of political power—a struggle accompanied by complex doctrinal infighting over how much risk to take in changing domestic and foreign policies in the name of reform. As is common in Leninist governing systems, political turbulence at the top tends to paralyze lower-level party and state policy-making organs.

What Vietnam needs is:

- A leadership willing and able to make sacrifices in the name of reform, in both domestic and foreign policy.
- Institutional facilitation—development of the social and economic infrastructure through alteration of the party-state policy-making mechanism and the overhaul of the bureaucracy, and development of science, technology and education.
- Social consensus—agreement among the general population as to what change is needed and how it is to be implemented.
- Reallocation of resources to serve the changes required, including personnel and money.
- Reasonably harmonious relations with its neighbors, primarily China.

Is history then pushing Vietnam in the direction of revolutionary change? Probably. Is this an inevitable process? Not necessarily. Forces in Vietnam—the young and the intellectuals—are pressing for radical change in the society's political institutions, for greater freedom and openness, and for a market economy. They represent a new credo built on human rights, articulating a new political consciousness. But countervailing forces are also at work. These are powerful, entrenched and rational.

<sup>5</sup>In mid-1989, the People's Republic of Kampuchea (PRK), the government in Phnom Penh, officially changed its name to the State of Cambodia (SOC).



They fear change, fear that it will lead Vietnam into chaos, fear freedom itself. Thus the challenge of change is pitted against the lure of continuity. In such a struggle, as in any revolution, no outcome is ever inevitable. ■

## INDONESIA

(Continued from page 124)

March, 1990, as the date by which one or another option will be applied to each case.

Indonesia seems likely to proceed on a case-by-case basis, both in its future reform packages and in any subsequent move toward privatization. This seems a sensible approach. Meanwhile, the engine of deregulation in the "real economy" (compared with the financial sector) has slowed perceptibly during 1988-1989; some commentators wonder whether this means that the easy cleanup stage has been completed and whether privatization is encountering stronger opposition from powerful interests. The reform packages have had their greatest effect in stimulating exports and foreign investment in export-oriented sectors; much of the indigenous economy still remains burdened by tariffs and by other regulations that restrain initiative and inhibit efficiency.

The "export or bust" campaign has helped the government find new revenues more than it has helped households find more imported goods at affordable prices. The strategy has also been criticized for its resource-depletion effects, even though the minerals and hardwoods may now have more value added before export. Many export promotion and processing schemes involve "enclave development," and technologies are often capital intensive, which limits the direct income and employment effects for local citizens (although the outcome may be defended as supporting government spending).

A concept often associated with deregulation and privatization is decentralization, which implies a relaxation of centralized or top-down economic control in favor of more localized decision-making. The government has committed itself for several years to variants of this philosophy, but the wide-ranging institution-building that it has spawned is often criticized as fostering dependence on the center rather than involving a genuine devolution of authority to the localities and nongovernment agencies. Unity in diversity is Indonesia's national motto, and it is also the national paradox. A series of regional studies have recently documented the enormous diversity in economic predicament and in economic capacity that comprises the Indonesian economy.<sup>4</sup> The economy will require a unique mix

of public and private enterprise, in all its forms and at all levels, to address adequately all the challenges and reap all the opportunities of this diversity. This is not a simple choice between regulation and deregulation, or between government planning and privatization. This is learning by doing. ■

## BURMA

(Continued from page 108)

the military coup, the EC members, Japan, the United States and other Western countries froze their relations with the military authorities to protest alleged repression and the denial of political rights. Because none of these countries have significant economic, strategic or other interests in Burma, these policies were apparently popular with their voters. For governments concerned about the continued stability of Asian international politics, more immediate questions arise.

The government of Thailand has taken the lead in improving relations with Burma. Though this has been criticized as being essentially motivated by economic considerations, the Thai authorities are clearly concerned about the consequences of a fractured Burma open to either complete or partial dominance by a larger state. Relations with the People's Republic of China remained good during 1989 and border trade increased. Despite continual criticism of the government by All-India Radio and the absence of the Indian ambassador in Yangon until August (nearly a year after his departure in apparent protest at the military coup), relations with India remained officially friendly. Outside the country's immediate neighbors, relations remained largely cordial.

## CONCLUSION

In 1989, Burma changed more than the name of the state; but the rate of change has been unsatisfactory for its most severe critics, who hoped that the country would be remade overnight after the demonstrations of 1988. Like other countries in Southeast Asia, where new "democratic" futures were anticipated after the fall of the old regimes in the 1980's, the realities of the politically possible have begun to emerge.

In some important ways, Burma is different from other countries in the region. Since independence, the military has seen itself as having a central role in maintaining Burma's independence and sovereignty. Countervailing institutions have been notably weak, and economic decline in the 1980's has further sapped what vitality these institutions may have had. A society without a class of landlords or businessmen, without an independent and organized hierarchical religious order outside the control

<sup>4</sup>Hal Hill, ed., *Unity and Diversity: Regional Economic Development in Indonesia Since 1970* (Singapore: Oxford University Press, 1989).

of the state, with poorly developed resources and a limited communications infrastructure cannot be expected to be reborn in a year.

Although it is still largely rebuffed by the outside world, the military government has taken steps to open up the economy and provide at least the possibility for greater change. Holding elections in May, 1990, while it can hardly result in an anti-army government, should provide the possibility for public criticism and discussion. ■

## CAMBODIA

(Continued from page 112)

associates, retained significant authority for foreign policy and military strategy. His wife, Ieng Thirith, held substantial power in the realm of foreign affairs, according to some observers: Son Sen, Deputy Prime Minister for National Defense under Pol Pot, held the position of Supreme Commander of the National Army of Democratic Kampuchea.

In 1989, the Khmer Rouge suffered some slight slippage in its organizational coherence through the defections of some battalion-level commanders and regimental officers, and through a weakened ability to contain civilians under the jurisdiction of the Khmer Rouge in camps on Thai soil. In June, approximately 700 Cambodians fled from Khmer Rouge encampments in the vicinity of Kaiche (one area in which several secret Khmer Rouge facilities had been constructed) to the KPNLF camp at Sokh Sann. In 1989, the Khmer Rouge continued to resist the presence of international aid organizations in five camps supplied by the United Nations Border Relief Organization (UNBRO)—Huay Chan, Na Trao, Au Trao, Bo Rai and Ta Luan—although slightly increased access was granted to UNBRO to monitor the distribution of humanitarian aid in Bo Rai and in Site Eight, the largest Khmer Rouge camp inside Thailand.

The Khmer Rouge maintained its overall field command structure based on the two military sectors that were defined in 1987, the border and the interior. Ta Mok was in charge of Command 1003, and Son Sen commanded the 1001 Battlefield Command, in addition to his concurrent responsibilities for overall direction of Khmer Rouge military operations in Cambodia.

The Khmer Rouge had achieved a presence

throughout the countryside—in the northern tier, in the Cardamon chain, in the tri-border area—and boasted about their logistical system in Kompong Speu. Pol Pot remained fully engaged in the leadership of the Khmer Rouge, in spite of frequent announcements of his retirement. Khmer Rouge leadership remained intact and committed to attaining power at the expense of its competitors in a two-pronged policy of simultaneous military conflict and political-diplomatic maneuvering. In spite of the rumors that suggest that Ta Mok, the most reprehensible of Khmer Rouge field commanders, had abandoned the northern tier to Sihanouk's army, his units appear to have operated from Aranyaprathet (in Thailand) to the area north of Ampil during the October-November contest in which the KPNLF took the lead against the Cambodian Armed Forces.<sup>12</sup>

The year 1989 began with a series of important departures from long-standing diplomatic approaches to the Cambodian problem. In early January, Siddhi Savetsila visited Hanoi for discussions about Cambodia, the first Thai foreign minister to make such a journey in over a decade. Siddhi announced substantial agreement on key bilateral issues and on the basic questions about a Cambodian settlement, as well as Hanoi's consent to consider the establishment of a peacekeeping "mechanism," a slight reversal of the Vietnamese opposition to the principle of an international peacekeeping force under United Nations auspices.

On January 16, Vietnam's Deputy Foreign Minister Dinh Nho Liem met in Beijing with his Chinese counterpart, Liu Shuqing, for the first direct talks in a decade. Thereafter, Hanoi agreed to a September, 1989, date for the withdrawal of its forces from Cambodia, a concession made in response to China's offer to consider tandem and progressive decreases in its assistance to the Khmer Rouge in return for an earlier date for the completion of the Vietnamese withdrawal.

On January 21 Hun Sen was received by Thai Prime Minister Chatichai Choonhavan in an unprecedented private visit to Bangkok. Chatichai offered his visitor a vision of what a post-conflict Indochina could expect from the Association of South East Asian Nations (ASEAN) in terms of normal, proper and fruitful bilateral economic and political relationships. These visits contributed to sustaining the momentum of diplomacy and set the context in which the incremental advances in negotiations—including narrow, perishable accommodations between Hun Sen and Prince Sihanouk—were seized on by the extra-regional constituency for a negotiated settlement as the basis for compromise.<sup>13</sup>

In mid-February, Prince Sihanouk returned to

<sup>12</sup>On the Khmer Rouge see "Cambodia," *Yearbook of International Communist Affairs* (Stanford, Calif.: Hoover Institution Press, 1989), pp. 185–188; *Khmer Rouge Abuses Along the Thai-Cambodian Border*, An Asia Watch Report, February, 1989; Steven Erlanger, "The Return of the Khmer Rouge," *The New York Times Magazine*, March 5, 1989, pp. 25–27, 50–52.

<sup>13</sup>*FEER*, January 12, 1989, p. 21; *The Nation* (Bangkok), January 17, 1989, p. 4; Bangkok Domestic Service in Thai, January 25, 1989, in FBIS, 89-016, January 26, 1989, p. 62; *The Nation* (Bangkok), January 25, 1989, p. 1.

the presidency of the Cambodian resistance, in advance of the convening of the JIM Working Group. Sihanouk resigned in July, 1988, to protest Khmer Rouge actions in the field against the other factions of the coalition. The second JIM session, in February, brought into sharp relief the basic conflicts that divided the competing Cambodian parties, the Vietnamese and the members of ASEAN.

Vietnam restated its basic case—that the withdrawal of the Vietnamese from Cambodia was dependent on the achievement of a political solution. ASEAN and the Coalition Government of Democratic Kampuchea (CGDK) insisted that the withdrawal of Vietnamese forces be unconditional and take place according to a timetable, in a “geographic” rather than a numerical manner. ASEAN and the CGDK continued to agree on the need for an international peacekeeping force under United Nations auspices. Vietnam and Hun Sen’s government were prepared to accept a control commission with a military component, drawing armed forces from a number of countries, possibly including representatives from the four Cambodian factions.

The CGDK and ASEAN continued to demand a legitimate provisional coalition government under Sihanouk’s leadership. Hun Sen and the Vietnamese were prepared to offer Sihanouk the chairmanship of a national reconciliation council that would organize and implement elections leading to the creation of a quadripartite government, without dissolving the Hun Sen government before holding free elections. The Vietnamese viewed the second JIM as tactical in nature, and not a key point in the process of solution. They therefore hardened their position.<sup>14</sup>

The second JIM session yielded no significant progress. The meeting endorsed continued negotiations by the Cambodians and called for a status report to the JIM by June. The conclusion of the JIM left the sense that bilateral meetings involving the major actors would encourage further progress but that an international conference was necessary to guide the four Cambodian factions toward agreement.

In April, the three Indochinese states issued a joint statement that provided for the total with-

drawal of all Vietnamese troops by the end of September, and proposed a cessation of all foreign military aid to the Cambodian parties. The statement had a tactical dimension; it was an effort to prod the diplomatic process along but it was also the result of efforts to prepare the way for a maximum impact of the Sino-Soviet summit in May.

The fourth meeting between Hun Sen and Sihanouk took place from May 2 to May 4, and made little progress on key issues—specifically, the question of the interim government and the role of the Khmer Rouge. However, the flurry of tabled proposals and the general predisposition toward flexibility evinced by the two negotiators yielded a potential for compromise. As a result of the exchange, Sihanouk appeared closer to a decision to jettison the Khmer Rouge than he had been in July, 1988, when he resigned as head of the CGDK, or any time earlier. Sihanouk did in fact yield a little on the question of the auspices of an international peacekeeping mechanism, conceding that an international conference that would include Security Council members could name an International Control Commission that could fulfill the necessary cease-fire and troop withdrawal monitoring responsibilities. Sihanouk also backed away from his insistence on “dismantling” the Hun Sen government, and began to speak of “transforming” that government into a quadripartite government.

While Hun Sen remained steadfast in his insistence that his government not be dissolved before the holding of an election, Sihanouk’s musings that he would reach a decision on returning to Cambodia in the immediate aftermath of the Vietnamese troop withdrawal were an incentive to persuade Hun Sen to work to get everything in line.<sup>15</sup>

On May 6, Hun Sen visited Bangkok for the second time. Discussions between Hun Sen and Thai Prime Minister Chatichai focused on cease-fire proposals formulated by Chatichai and his advisers. On May 8, the Chinese and Vietnamese deputy foreign ministers held a second set of talks. From May 8 to May 15, China and the Soviet Union held a summit in Beijing that resulted in a joint communiqué outlining central areas of agreement on the issues of Vietnamese military disengagement from Cambodia, the international supervision of the peace process, the reduction of external assistance to the Cambodian factions and the basic success of the JIM process. One major area of difference was China’s endorsement of a quadripartite coalition government, and the contrasting Soviet support for quadripartite participation in a Sihanouk-led national reconciliation council that would organize elections and play a role in the formation of a coalition government.<sup>16</sup>

After the Sino-Soviet summit, French Foreign

<sup>14</sup>FEER, February 4, 1989, p. 30.

<sup>15</sup>The National Assembly that convened in an extraordinary session in late April and amended the constitution was a calculated effort to make some of the substantive and cosmetic changes necessary to accommodate Sihanouk.

<sup>16</sup>Statement by Robert Kimmitt, United States under secretary of state for political affairs, before the Senate Foreign Relations Committee, June 12, 1989; Tommy Koh, “The Failure of the Paris Conference and its Implications for a Cambodian Settlement,” Washington Center of the Asia Society, September 11, 1989.



Minister Roland Dumas announced that Paris would host an international conference on the conflict in Cambodia in August, an event that Dumas had encouraged. Sihanouk proposed a new constitution embodying a French-style multiparty democracy for Cambodia, signaling his view that Hun Sen's concessions were not yet adequate and challenging Phnom Penh's chief diplomat to wring further accommodations from the Cambodian National Assembly.

The early July meeting of the ASEAN foreign ministers in Brunei tried to state the organization's support for the CGDK by rejecting the quick compromises that would leave Phnom Penh in a commanding position in an interim coalition. In early July, Sihanouk reiterated the position that an international control mechanism under United Nations auspices remained an essential part of the formula for solution, and restated his demand for the simultaneous dismantling of the Phnom Penh government, backing away from earlier compromises.

On July 24, Sihanouk and Hun Sen met for the fifth time, followed by a meeting of the four Cambodian parties that opened the way for the international conference that convened in Paris on July 30. During the month-long conference, Vietnam and the Hun Sen government continued to object to a United Nations role in the peacekeeping mission for Cambodia. China and the Khmer Rouge argued that the use of the term "genocide" in the documents of a negotiated settlement would give Hanoi a justification for its invasion of Cambodia. \*\* Hanoi opposed dwelling on the issue of the Vietnamese settlers there.

The Hun Sen government proposed a cease-fire in place, while the CGDK stressed the need for regrouping armed forces and disarming to specific levels under appropriate United Nations-managed monitoring forces. Hun Sen's government adamantly opposed the inclusion of the Khmer Rouge in such an interim coalition. Sihanouk took the position that excluding the Khmer Rouge from a coalition would guarantee continued armed conflict, whereas including the Khmer Rouge would go further toward insuring the stability of a quadripartite interim government. He believed that stability would be served by the Khmer Rouge's agreement to accept regroupment and disarmament, a United Nations peacekeeping force, and an internationally supervised election. Sihanouk took heart from the Chinese position that the coalition need not be

based on an equal distribution of power among the four parties.

At the end of August, the Paris conference suspended its proceedings without a comprehensive agreement. The conference, which left a body of important basic agreements on the external aspects of the settlement, made a point of not adjourning, and agreed to begin consultations within six months with a view toward reconvening.<sup>17</sup>

In the wake of the Paris conference, regional players scurried to organize meetings of the Cambodian factions, to re-engage the JIM process and to table compromise solutions building on the basic agreements of the Paris conference. The ASEAN members, especially Singapore, urged continued support for the two non-Communist parties and expressed the hope that the proposal of the administration of United States President George Bush for lethal aid to the non-Communist resistance would receive bipartisan support in Congress.

Thai Prime Minister Chatichai peddled his proposals for turning the Indochina battlefield into a marketplace, and his "academic advisers" flogged their plans for "parallel-track diplomacy"—regional discussions on the subject of power sharing and simultaneous international participation in the formation of a control mechanism to verify the Vietnamese claim that Vietnam has withdrawn its military forces.

Indonesian Foreign Minister Ali Alatas sought to reserve the JIM vehicle, recognizing that a regional meeting that did not reach a compromise on power sharing would further squander ASEAN resources and contribute to a hardening of positions. In November, Alatas offered to convene a regional meeting following the Paris framework, involving the four Cambodian parties, Laos and Vietnam, France and the ASEAN countries.

In mid-November, the ASEAN resolution on Cambodia was adopted at the 44th session of the United Nations General Assembly (with a record high vote of 124 supporters), rejecting the Phnom Penh regime. Australia offered a proposal for turning Cambodia into a United Nations trusteeship, an alternative initially formulated by United States Congressman Stephen Solarz (D., N.Y.).

In early October, the non-Communist forces launched operations in northwest Cambodia to try to seize control of large chunks of real estate in the vicinity of Sisophon. In early November, the Khmer Rouge seized control of Pailin, mainly through sustained shelling of PRK units that retreated to their home garrisons, offering little resistance to their adversary's grab for this gem-rich area. In early December, after repeated efforts, the KPNLF seized Svay Chek, north of Sisophon on Route 69. The Cambodians were clearly not in a

\*\*The term "genocide" was used to describe the actions of the Khmer Rouge, who killed more than one million Cambodians when they ruled Cambodia from 1975 to 1978.

<sup>17</sup>*The New York Times*, August 31, 1989, p. 12; Secretary of State James Baker, "International Efforts for a Peaceful Cambodia," remarks at the Paris conference, July 30, 1989.

bargaining mood and were intent on pressing their perceived advantages on the battlefield, effectively eliminating the opportunity for another spurt of diplomacy. ■

## MALAYSIA

(Continued from page 126)

tween M\$700 million and M\$1.3 billion) by "restructuring" and a change of management.

Malaysia's automobile, the Proton Saga, has fared better. The firm producing it underwent some management changes; in 1988, a Japanese managing director was brought in. In 1989, it showed a profit for the first time—made possible, given the small domestic market, only by exemption from the 40 percent duty imposed on other cars. The turnaround was achieved through a rise in domestic demand and by the projected sale in one year of about 8,000 cars in Great Britain. Starting in 1990, Malaysian-made engines will replace Japanese engines.<sup>13</sup>

Malaysia's policy of privatization has continued steadily. Recent major examples of complete or partial privatization include the national shipping carrier, the container terminal at Port Kelang, the rural water supply, the construction of the North-South Highway and telecommunications. A comprehensive masterplan has been drawn up, concentrating on over 400 of about 1,400 organizations that could possibly be privatized.<sup>14</sup>

## MALAYSIA'S FOREIGN RELATIONS

Malaysia's relations with other ASEAN countries remain good. Malaysia has continued to support ASEAN policy on Cambodia, namely, to work toward a coalition government that would not be dominated by China (the patron of the notorious Khmer Rouge) or Vietnam (which installed the existing government of Hun Sen). Such a government would need to be acceptable to both China and Vietnam, however, a tall order.

Malaysia's policy on accepting Vietnamese refugees has recently hardened; apparently it wishes to discourage them by not having more lenient terms of entry than Thailand, Hong Kong or Singapore. Between May and July, 1989, it towed

900 refugees into Indonesian waters, in contravention of a plan that it had previously accepted at a refugee conference in Geneva.<sup>15</sup>

Relations with Singapore are particularly delicate because of the intertwined and sometimes contentious history of the two states, and are subject to occasional "hiccups." A pact by which Malaysia would supply more water to Singapore (vital to the latter because of its very limited domestic supply) was signed in June, 1988. In exchange, Singapore agreed to buy additional amounts of gas from Malaysia. It was also agreed that a new link supplementing the existing causeway was to be constructed between Singapore and Johor. Increasingly cordial relations between the two Prime Ministers were tested in July, 1989. Alarmed by domestic opposition to the United States bases in the Philippines and wanting to retain the United States presence in the region, Singapore's Prime Minister Lee Kwan Yew offered the United States air and naval "facilities." Some politicians in Malaysia, including UMNO's official organ, *Merdeka*, strongly criticized the move. But Mahathir, in a measured statement, said that although he was opposed to the stationing of United States troops in Singapore, he did not object to their use of facilities there.<sup>16</sup>

In 1988, Malaysia's relations with the United States were affected by two issues in which United States domestic interest groups were involved. The United States soybean lobby tried unsuccessfully to have Congress pass an act requiring palm oil to be described on labels as containing saturated fats, thus raising concern about its effects on cholesterol. More important, later in the year there was a possibility that the United States Congress would remove Malaysia from the Generalised System of Preferences (GSP) list, which allowed some of its products to be admitted to the United States duty-free. Malaysia escaped the fate of the four Asian NIC's (South Korea, Taiwan, Hong Kong and Singapore) that lost GSP status in 1989 because they had become too well-off to count as "developing." The stakes were high—an estimated 75,000 jobs.

However, Malaysia had to meet objections from the American Federation of Labor-Confederation of Industrial Organizations (AFL-CIO), which alleged that Malaysia's exports were cheaper because its labor was denied certain rights, particularly the right to form unions. Malaysia countered that threat, at least temporarily, by allowing electronics workers to form unions, even although they turned out to be "in-house" unions. Mahathir rejected NIC (newly industrializing country) status for Malaysia; he "did not want the title and what goes with it." It

(Continued on page 144)

<sup>13</sup>FEER, June 1, 1989, p. 4, August 3, 1989, p. 40.

<sup>14</sup>Toh Kin Woon, "Privatization in Malaysia: Restructuring or Efficiency?" *ASEAN Economic Bulletin*, vol. 5, no. 3 (March, 1989), pp. 242-258; Lim Kit Siang, *North-South Highway Scandal* (Petaling Jaya: Democratic Action Party, 1987). Allegedly an insolvent company tendering at a higher price but with political connections was chosen to construct the North-South Highway.

<sup>15</sup>FEER, August 3, 1989, p. 27.

<sup>16</sup>ST, August 5, 1989, p. 1, August 19, 1989, pp. 1 and 24; R.S. Milne and Diane K. Mauzy, *Singapore: The Legacy of Lee Kuan Yew* (Boulder: Westview Press, 1990, forthcoming), chapter 8.

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# THE MONTH IN REVIEW

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*A Current History chronology covering the most important events of January, 1990, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### Cambodian Peace Talks

- Jan. 15 — In Paris, the 5 permanent members of the UN Security Council meet in a 2-day session to decide on "an enhanced UN role" to end the fighting in Cambodia.
- Jan. 16 — The 5 permanent members of the UN Security Council, including China, agree to a plan calling for UN administration of Cambodia, a UN peacekeeping force, and UN supervision of free elections there.
- Jan. 24 — Cambodian Prince Norodom Sihanouk announces his resignation as leader of the coalition opposing the Vietnam-supported Hun Sen government and withdraws from future peace negotiations; Sihanouk has withdrawn and returned 4 times before.

### Central American Peace Plan

- Jan. 11 — Leftist guerrillas in El Salvador and the Salvadoran government agree to ask UN Secretary General Javier Pérez de Cuéllar to mediate peace talks.

### Council for Mutual Economic Assistance (CMEA)

- Jan. 9 — A conference of the 9 CMEA member nations opens in Sofia, Bulgaria. The Soviet Union proposes to modify the trade bloc's policies to permit trading based on a convertible currency at real market prices. Czechoslovakia's Deputy Prime Minister says the Soviet Union's proposal would lead to a "disaster."
- Jan. 10 — The CMEA conference concludes. CMEA members agree that the group must be reformed; they appoint a special commission to work out proposals for a restructured trade group.

### North Atlantic Treaty Organization (NATO)

- Jan. 16 — Senior military leaders of the 16 members of NATO and the 7 Warsaw Pact nations meet in Vienna to discuss lessening military tensions in Europe.

### Organization of American States (OAS)

- Jan. 8 — By a 19-0 vote with 5 abstentions, the OAS passes a resolution saying that when U.S. troops entered the home of the Nicaraguan ambassador in Panama on December 29, the U.S. violated diplomatic immunity.

### United Nations (UN)

- (See also *Intl, Cambodian Peace Talks, Central American Peace Plan*)
- Jan. 29 — U.S. Vice President Dan Quayle sends a letter to Secretary General Javier Pérez de Cuéllar protesting Pérez de Cuéllar's failure to submit a report on human rights abuses in Cuba to the UN Human Rights Commission in Geneva.

### Warsaw Treaty Organization (Warsaw Pact)

(See *Intl, NATO*)

### AFGHANISTAN

(See *France*)

### ALBANIA

(See also *Yugoslavia*)

- Jan. 1 — Communist party leader Ramiz Alia says that Albania will not be affected by uprisings in other nations in East Europe.

## ARGENTINA

- Jan. 2 — Economy Minister Erman González announces that, to try to control inflation (which has reached 100 percent since December 25), the government will stop printing currency.
- Jan. 8 — The Buenos Aires stock market opens for the 1st time since December 28; the value of stocks drops 53 percent.
- The government says that inflation increased 40 percent in December; the official cost-of-living increase for 1989 reached 4,923 percent.

## BOLIVIA

(See *U.S., Foreign Policy*)

## BULGARIA

(See also *Intl, CMEA*)

- Jan. 3 — For the 1st time, government officials meet with officials from the opposition Union of Democratic Forces to discuss the prospect of free elections.
- Jan. 4 — Widespread violence is reported between Bulgaria's Slavic majority and its minority ethnic Turks.
- Jan. 6 — Thousands of Slavs in Sofia and 3 other cities protest new laws granting Turks religious and cultural freedom.
- Jan. 15 — Parliament deletes from its constitution the phrase that guarantees a monopoly of power to the Communist party.
- Jan. 19 — Bulgarian State Radio announces that former Communist party General Secretary Todor Zhivkov is under house arrest on charges of inciting ethnic hostilities and corruption.
- Jan. 29 — Zhivkov is sent to prison.

## CAMBODIA

(See *Intl, Cambodian Peace Talks*)

## CHAD

(See *Vatican*)

## CHINA

(See also *Intl, Cambodian Peace Talks; U.S., Foreign Policy, Legislation*)

- Jan. 3 — Chinese officials dismiss reports that dissidents Fang Lizhi and his wife Li Shuxian will be allowed to leave China.
- Jan. 10 — Prime Minister Li Peng announces that martial law in Beijing has been lifted. Martial law was imposed on May 20, 1989, in response to anti-government demonstrations.
- Jan. 19 — The government announces the release of 573 individuals arrested for participating in the pro-democracy demonstrations of May and June, 1989.

## COLOMBIA

(See *U.S., Foreign Policy*)

## CUBA

(See *Intl, UN*)

## CZECHOSLOVAKIA

(See also *Intl, CMEA*)

- Jan. 1 — In a televised speech, President Vaclav Havel says that



Czechoslovakia is suffering a severe economic and environmental crisis.

Jan. 4—The government devalues its currency sharply against the dollar.

Jan. 9—The government says it will propose that the Soviet Union withdraw its forces from Czechoslovakia by the end of 1990.

Jan. 19—Prime Minister Marian Calfa resigns from the Communist party.

### ECUADOR

Jan. 18—The Supreme Council orders the arrest of former President León Febres Cordero on charges of embezzling public funds.

### EGYPT

(See also *U.S., Foreign Policy*)

Jan. 12—President Hosni Mubarak dismisses hardline Interior Minister Zaki Badr and replaces him with Mohammed Abdel-Halim Moussa.

### EL SALVADOR

(See also *Intl, Central American Peace Plan*)

Jan. 7—In a nationally broadcast address, President Alfredo Cristiani says "elements of the armed forces" were responsible for the massacre of 6 Jesuit priests and 2 civilians in November, 1989.

Jan. 13—Cristiani announces the arrest of 8 members of the military for the murder of the Jesuit priests.

Jan. 19—The Fourth Penal Court indicts 8 members of the military, including a colonel, in the killing of the Jesuit priests.

### ETHIOPIA

Jan. 2—After a 2-day offensive, rebels say they have captured Jihur—the 3d town they have taken in their most recent battle against President Mengistu Haile Mariam's Marxist government.

### FRANCE

Jan. 9—France decides to return its diplomats to Afghanistan despite U.S. objections.

### GERMANY, EAST

(See also *U.S.S.R.*)

Jan. 7—A coalition of East German reform movements collapses; the group, which was formed January 5, planned to challenge the Communist party in elections scheduled for May.

Jan. 12—Under pressure from opposition groups, Prime Minister Hans Modrow abandons plans to establish a new security force until after next May's elections.

Jan. 28—The government and all major parties agree to schedule elections on March 18 instead of in May; meanwhile, a coalition government will be formed.

Jan. 29—Former Communist party General Secretary Erich Honecker is arrested as he is leaving a hospital after treatment for cancer.

Jan. 30—Because of his illness, Erich Honecker is released from prison.

### HAITI

Jan. 19—An unidentified gunman kills Army Colonel André Neptune.

Jan. 20—President Prosper Avril imposes a state of siege, suspends sections of the constitution and arrests opposition leaders in response to Neptune's shooting.

Jan. 29—The military government lifts the 30-day state of siege decreed January 20 and restores the constitution, saying that the crisis is under control.

### HUNGARY

(See also *Japan; U.S., Foreign Policy*)

Jan. 8—The government increases rates for water and sewer services by 300 percent, and raises prices for meat, milk and bread by 25 percent.

### INDIA

Jan. 5—Officials in Kashmir institute a curfew on the provincial capital and 10 other cities, blaming violence instigated by militants seeking independence for the region.

Jan. 9—Unidentified gunmen kill an Indian intelligence officer in Kashmir; clashes between police and demonstrators continue.

Jan. 11—Prime Minister V.P. Singh offers to make concessions to Sikh separatists.

Jan. 21—Singh says that his government wants to set aside the \$470-million settlement reached with the Union Carbide Corporation as compensation for the Bhopal poison gas leak in 1984; Singh says the government will pursue criminal charges and will ask for \$3 billion in damages for the death of more than 3,500 people.

In Srinagar, Kashmir, Indian Army troops fire on demonstrators.

Jan. 22—Government troops and Kashmiri demonstrators continue their confrontation; the 2-day death toll is reported to be more than 50.

Jan. 25—In Srinagar, militants kill 4 members of the Indian Air Force as the army takes control of the city.

### IRAN

(See also *Morocco; U.S.S.R.*)

Jan. 6—Iran rejects an offer by Iraq to reopen peace talks, terming the offer a "campaign of deception." Since the ceasefire in August, 1988, Iran and Iraq have not reached an agreement on a permanent end to the conflict.

### IRAQ

(See *Iran*)

### ISRAEL

Jan. 2—The Likud and Labor parties reach a compromise; Science Minister Ezer Weizman, who was fired in December, returns to his post as Science Minister, but is excluded from the inner Cabinet for 18 months.

Jan. 11—The owners of the *Jerusalem Post* pledge to honor the newspaper's editorial independence, but dissatisfied editors and journalists, who resigned on December 31, 1989, refuse to return to work.

Jan. 19—Police arrest Faisal al-Husseini, the most prominent West Bank Palestinian nationalist, on charges of assisting an illegal organization that is part of the uprising in the occupied territories.

In Washington, D.C., State Department spokesperson Margaret Tutwiler says that Hussein's arrest will undermine Palestinian confidence in the peace process and will send conflicting signals to Palestinians who might otherwise negotiate.

Jan. 22—Husseini is released on bond.

Jan. 30—Prime Minister Yitzhak Shamir and the Foreign Ministry deny that Israel has an official policy of settling emigré Soviet Jews in the West Bank or the Gaza Strip. Shamir recently declared that a "big Israel" is needed to make room for the immigrants.

### JAPAN

Jan. 16—Ending a 10-day visit to Europe, Prime Minister Toshiki Kaifu promises more economic aid for Hungary in addition to the \$500 million in Import-Export Bank credits Japan has promised to Hungary and Poland over the next 3 years.

Jan. 24—Japanese scientists launch an unmanned rocket to the moon; 2 small satellites will explore the space around the moon and test instrument systems.

Jan. 30—For the 1st time since 1960, the major political parties agree to an open debate on February 2 under the auspices of the Japan National Press Club, before the national elections on February 18.

#### JORDAN

Jan. 1—A Jordanian official says that Jordan plans to reestablish diplomatic ties with Libya; ties were severed in 1984.

#### KENYA

Jan. 9—The U.S. agrees to forgive some economic-assistance loans to Kenya, in recognition of Kenya's austerity efforts; \$44.7 billion out of a total debt of \$175 billion will be forgiven.

#### KOREA, SOUTH

(See also *U.S., Foreign Policy*)

Jan. 6—Kim Young Sam and Kim Jong Pil, the leaders of 2 of the 3 opposition parties, announce that they will form an alliance for local elections in 1990.

Jan. 10—President Roh Tae Woo says the U.S. and South Korea will reduce the size of annual joint military maneuvers.

Jan. 22—In Seoul, the ruling Democratic Justice party agrees to merge with 2 opposition parties to form a conservative coalition that can act more effectively in Parliament.

#### LEBANON

Jan. 2—President Elias Hrawi issues a decree increasing wages by 70 percent.

Jan. 4—Fighting between the Shiite Amal militia and the Hezbollah forces resumes in southern Lebanon; Christian and Muslim militias renew artillery duels in Beirut.

Jan. 9—A truce is called in fighting between Amal and Hezbollah.

Jan. 21—In Damascus, President Hrawi meets with Syrian President Hafez Assad to discuss ways of ousting Christian army General Michel Aoun.

Jan. 31—Renewed fighting between Christian forces around Beirut leads to heavy casualties.

#### LIBERIA

Jan. 2—Liberian President Samuel K. Doe fires the interior minister for ignoring warnings of a coup attempt; he imposes a dusk-to-dawn curfew on a region dominated by his political opponents.

Jan. 5—Western diplomats say that in the last 2 weeks, fighting between government and rebel forces has leveled 2 towns in northeast Liberia; most of the rebels have apparently been killed or captured.

#### LIBYA

(See *Jordan*)

#### MOROCCO

Jan. 1—Salvage crews battle a worsening oil slick from an Iranian oil tanker that spilled 347 million gallons of oil off Morocco's coast in mid-December.

#### MYANMAR

Jan. 3—The government ends martial law in sections of the Mandalay and Sagaing regions.

Jan. 17—According to Western diplomats, opposition leader Daw Aung San Suu Kyi has been disqualified from running

in the elections scheduled for May because she is under house arrest; in December, 1989, former Prime Minister U Nu was also put under house arrest.

Jan. 26—The government refuses permission to allow U.S. observers to monitor the May elections.

#### NAMIBIA

Jan. 31—The constituent assembly sets the date, March 21, 1990, for Namibian independence from South Africa.

#### NICARAGUA

(See also *Intl, OAS*)

Jan. 1—Near the town of Ojo de Agua, 2 nuns are killed in an ambush; government and church officials blame contra rebels for the attack.

Jan. 3—A senior contra official denies that the contras were involved in the murder of 2 nuns.

#### PANAMA

(See also *Intl, OAS; U.S., Foreign Policy*)

Jan. 3—Colonel Roberto Armijo, the commander of Panama's security force, resigns; Armijo was appointed in December after U.S. forces ousted de facto leader Manuel Antonio Noriega.

#### PERU

(See also *U.S., Foreign Policy*)

Jan. 9—Government officials say that the Maoist Shining Path guerrillas killed former Defense Minister López Albuja today in Lima; Albuja was defense minister until May, 1989, and is the most prominent official killed by the Shining Path since it began its insurgency in 1980.

Jan. 10—Police detain 15,000 people in the search for López's killers; Shining Path guerrillas murder 9 people in Tocota.

#### PHILIPPINES

(See also *U.S., Administration*)

Jan. 6—The Communist New People's Army claims responsibility for the murder of a local mayor in Angeles; it threatens to kill U.S. servicemen and 5 other mayors.

Jan. 11—Philippine Foreign Minister Raul Manglapus writes to U.S. Secretary of State James Baker 3d accusing the U.S. of violating provisions of the military bases pact between the 2 nations.

Jan. 29—Brigadier General Edgardo Abenina, the highest-ranking officer implicated in the December coup attempt, is arrested.

#### POLAND

(See also *Japan; U.S., Foreign Policy*)

Jan. 1—As part of its economic recovery program, the government announces sharp increases in the price of basic services like heating and electricity.

Jan. 28—The Communist party votes to dissolve itself because of "the impossibility of the party regaining the public's confidence."

#### PORTUGAL

Jan. 2—Prime Minister Aníbal Cavaco Silva replaces 5 Cabinet ministers, including the ministers of defense and finance.

#### ROMANIA

Jan. 1—Silvu Brucan, a member of the Council of National Salvation, says the council will sponsor candidates in free elections scheduled for April, 1990. The Council led the revolution that overthrew President Nicolae Ceausescu in December, 1989.

- Jan. 2—The government says that all members of Ceausescu's Politburo and 20 of his close associates are now in custody.
- Jan. 3—Some political parties ask for a delay of national elections, scheduled for April.
- Jan. 6—Soviet Foreign Minister Eduard Shevardnadze visits Romania and offers Soviet support to the new government.
- Jan. 8—Special military courts begin trying members of Ceausescu's security forces accused of shooting civilians.
- Jan. 12—The Council of National Salvation outlaws the Communist party and decides to hold a referendum on the death penalty.

### SOUTH AFRICA

(See also *Namibia*)

- Jan. 9—In Germiston, 6 people die in a clash between opponents and supporters of a black transport workers' strike.
- Jan. 25—Nelson Mandela, imprisoned leader of the African National Congress, calls on South Africa's government to save the country from "civil strife and ruin" by instituting majority rule through negotiations; the appeal, written before Mandela met with then President P.W. Botha in July, 1989, is published today.

### SUDAN

- Jan. 4—Sudan People's Liberation Front rebels blame the government for an alleged massacre of 2,000 people in the town of Jebelein in late December, 1989; government officials confirm that at least 200 people died in December in fighting in Jebelein.

### SYRIA

(See *Lebanon*)

### U.S.S.R.

(See also *Intl, CMEA; Czechoslovakia; Romania; U.S., Administration, Foreign Policy*)

- Jan. 4—In Moscow, President Mikhail Gorbachev meets Lithuanian Communist party leaders; the Lithuanians say Gorbachev has indicated that he will not force Lithuanian Communists to renounce their decision to break away from the Communist party of the Soviet Union.
- Jan. 5—The Communist party leader in the Nakhichevan region of Azerbaijan resigns.
- Jan. 6—Disturbances continue in the Nakhichevan region as crowds rip down installations at the Soviet-Iranian border.
- Jan. 9—Prime Minister Nikolai Ryzhkov recommends that East European trading partners use hard currency and real market prices in trade, beginning in 1991.
- Jan. 10—On the eve of Gorbachev's visit to Lithuania, 25,000 people demonstrate in the Lithuanian capital of Vilnius, demanding independence.
- Jan. 11—Gorbachev begins a 3-day visit to Lithuania and pleads with the Lithuanians not to leave the Soviet Union. More than 250,000 Lithuanians gather in Vilnius to demand Lithuanian independence.
- Jan. 13—Ending a 3-day trip to Lithuania, Gorbachev says he sees no "tragedy in a multiparty system" even if it ends the Communist party's monopoly.
- Jan. 14—Violence in Baku, Azerbaijan, leaves at least 25 people dead when mobs attack Armenian residents. *Pravda*, the official party newspaper, reports the sentence of death passed on an admitted spy known only as Donald, who successfully passed secrets to the U.S. over some 30 years; U.S. officials confirm knowledge of his capture and sentence and his work for the U.S.
- Jan. 15—Gorbachev declares a state of emergency in parts of Azerbaijan and orders army, navy and internal security forces to contain the ethnic violence there.

- Jan. 16—The government airlifts 11,000 additional troops to Azerbaijan; 56 people are reported dead in continuing violence.
- Jan. 18—In Azerbaijan, Soviet forces are unable to restore order because of widespread obstruction, sabotage and civil disobedience.
- Jan. 19—Armed civilians in Azerbaijan resist Soviet troops.
- Jan. 20—The Soviet military commandant in Baku claims that Soviet troops have regained control of the city.
- Jan. 22—In Azerbaijan, Parliament threatens to secede unless Soviet troops are withdrawn.
- Jan. 24—In Azerbaijan, the Soviet military arrests scores of dissidents and outlaws "illegally functioning organizations"; Tass, the official news agency, announces that some 12,000 family members of troops have been evacuated for their own protection. In Baku harbor, Soviet ships disperse a blockade of merchant ships.
- Jan. 27—The leader of the Azerbaijan Popular Front proposes opening peace negotiations with the Soviet government if it withdraws the troops sent to Baku to quell the uprising.
- Jan. 30—In Moscow, Gorbachev meets with East German Prime Minister Hans Modrow, who states that Gorbachev "did not rule out . . . a possibility of German reunification" although no time limit was set.
- Jan. 31—Gorbachev says a report that he will resign as Communist party General Secretary is "groundless."

### UNITED STATES

#### Administration

- Jan. 3—The oversight board of the Resolution Trust Corporation, a newly formed agency established to manage the savings and loan bail-out, directs the corporation to sell real estate held by insolvent institutions.
- Jan. 10—Officials at the Centers for Disease Control say that an automatic misting machine in a Louisiana supermarket chain caused an outbreak of Legionnaires' disease; supermarkets nationwide will stop using similar machines.
- Jan. 11—*The New York Times* reports that the Federal Bureau of Investigation (FBI) has reached out-of-court settlements with black employees who have charged the agency with racial discrimination.
- Jan. 18—After a sting operation, FBI agents arrest Marion S. Barry Jr., the mayor of Washington, D.C., on charges of buying and using crack cocaine.
- Jan. 25—President George Bush proposes a new drug enforcement program with increased spending of \$1 billion in fiscal 1991.
- Jan. 28—Federal Aviation Administration (FAA) investigators say that the fact that the Avianca Airlines plane that crashed on Long Island on January 25 was nearly out of fuel was not transmitted from one air traffic control station to the next; it is believed that the plane crashed after it ran out of fuel, killing 73 and injuring 85.
- Jan. 29—President Bush sends his fiscal 1991 budget proposals to Congress. The \$1.23-trillion budget calls for \$36.5 billion in deficit-reducing spending cuts; the proposed military budget (including funds for the Department of Energy's nuclear weapons programs) is \$303.3 billion; social security outlays total \$264.8 billion. The budget projects a deficit of less than \$64 billion and anticipates an annual economic growth rate of 2.6 percent. There will be no tax increase, although increased foreign aid will be made available, largely to East Europe, and the Philippines and Latin America.
- Jan. 31—President Bush delivers his 1st State of the Union address to Congress and the nation; he calls for reductions in Soviet and U.S. troops in Central and East Europe to 195,000 each (a proposal already discussed with Gorbachev



and West European allies); he also sets ambitious goals for the environment and education.

### Economy

- Jan. 2—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks closes at a new record high of 2,810.15.
- Jan. 5—The Labor Department reports that the nation's unemployment rate remained at 5.3 percent in December.
- Jan. 8—The largest banks in the U.S. lower their prime lending rate from 10.5 percent to 10 percent, the 1st drop in the rate since July, 1989.
- Jan. 12—The Labor Department reports that its producer price index rose 0.7 percent in December and 4.8 percent for all of 1989, the largest increase in 8 years.
- Jan. 17—The Commerce Department reports that the nation's foreign trade deficit for November reached a high of \$10.5 billion.
- Jan. 18—The Labor Department reports that its consumer price index rose 0.4 percent in December and 4.6 percent in all of 1989.
- Jan. 26—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 0.5 percent in the last quarter of 1989.
- Jan. 30—Chairman of the Federal Reserve Board Alan Greenspan tells the Joint Economic Committee of Congress that slow economic growth is probably only "a temporary hesitation" and that he believes the prospects for a recession have diminished.
- Jan. 31—The Commerce Department reports that its index of leading economic indicators rose 0.8 percent in December.

### Foreign Policy

(See also *Intl.*, *OAS*, *UN*; *France*; *Israel*; *Kenya*; *Korea*, *South*; *Myanmar*; *Panama*; *Philippines*; *U.S.S.R.*; *Vietnam*)

- Jan. 2—The Treasury Department announces that the U.S. and 14 other industrialized nations have set up a \$1-billion fund to help Poland make its currency convertible.
- President Bush appoints Deane R. Hinton as the new U.S. Ambassador to Panama.
- Jan. 3—Panama's de facto leader General Manuel Antonio Noriega surrenders to U.S. officials at the Vatican embassy in Panama City; Noriega is flown to Howard Air Force Base in Panama City, where he is arrested by U.S. Drug Enforcement Agency officials and sent to Homestead Air Force Base in Florida.
- Jan. 4—Noriega is arraigned before a U.S. District Court in Miami on drug-trafficking charges. Noriega's lawyer claims that Noriega is appearing in court "under coercion and intimidation." U.S. District Court Judge William M. Hoeveler enters a not-guilty plea on Noriega's behalf.
- Jan. 6—U.S. officials say that Colombia is objecting to a U.S. plan to station warships off the coasts of Colombia, Peru and Bolivia.
- Jan. 7—The U.S. terms former South Korean President Chun Doo Hwan's recent testimony to the South Korean National Assembly "distorted"; Chun has accused the U.S. of involvement in the 1980 Kwangju massacre and the 1979 assassination of President Park Chung Hee.
- Jan. 9—U.S. District Court Judge Hoeveler orders Noriega to be detained in a downtown Miami jail cell until his defense team is ensured adequate access.
- U.S. military spokesmen say that they do not have an accurate count of how many noncombatants died in the U.S. invasion of Panama; they report that 314 members of the Panamanian Defense Forces died in the fighting.
- Jan. 10—Vice President Dan Quayle says that China's lifting of martial law in Beijing shows the "dividends" of U.S. policy toward China.

- Jan. 11—President Bush says that lifting martial law in Beijing is "a very sound step."
- Jan. 14—Bolivia, Colombia and Peru join the U.S. in agreeing to use military units from each country in the war against drugs; the agreement is to be signed February 15.
- Jan. 16—The State Department reports that the administration has decided to postpone its plans to deploy a carrier battle group off the Colombian coast to help prevent drug shipments from Latin America.
- Egyptian Foreign Minister Esmat Abdel Meguid discusses a 5-point peace plan for the Middle East with Secretary of State Baker.
- White House spokesman Marlin Fitzwater says the U.S. "understands the [Soviet Union's] need to restore order where order has broken down" in Azerbaijan.
- Jan. 25—President Bush announces a program to provide \$1 billion in loans, grants and other aid to Panama.
- Jan. 26—Ambassador to Hungary R. Mark Palmer resigns to administer a private investment group that will do business in Hungary.
- Defense attorneys for Noriega send a letter to President Bush; Noriega claims to be a prisoner of war and demands that he be sent to a third country to stand trial.
- Jan. 30—Baker delays his trip to Moscow to meet with Soviet Foreign Minister Eduard Shevardnadze for a 2d time; the talks are now scheduled for February 8 and 9.

### Labor and Industry

(See also *India*)

- Jan. 1—Striking coalminers and the Pittston Company resolve a bitterly contested strike that began on April 5, 1989.
- Jan. 15—Campeau Corporation files for Chapter 11 bankruptcy protection, claiming debts of \$7.5 billion; 260 stores owned by Federated Department Stores, Inc., and Allied Stores Corporation will remain open; the corporations own 9 well-known retailing chains.
- The American Telephone and Telegraph Company reveals that more than half its long-distance calls were not completed yesterday for a period of up to 9 hours because of computer failure.

### Legislation

- Jan. 12—President Bush warns Congress that he will not support domestic programs that take funds from his defense budget.
- Jan. 23—The 101st Congress begins its 2d session.
- Jan. 24—The House of Representatives votes 390 to 25 to override President Bush's November 30 veto of legislation protecting Chinese students in the U.S. from deportation.
- Jan. 25—In a 62-37 vote, the Senate fails by 4 votes to override President Bush's veto of the legislation protecting Chinese students from deportation. The veto stands.
- Jan. 30—The Senate votes 98-0 in favor of a bill authorizing \$9.7 billion for State Department activities in fiscal 1990 and 1991; the bill also urges the Export-Import Bank to continue some economic sanctions imposed on China; however, President Bush can waive the sanctions at his discretion if he considers the waiver in the national interest. The House approved the measure before it adjourned.

### Military

- Jan. 11—Secretary of Defense Dick Cheney announces that improved management will save the Defense Department \$2.3 billion in fiscal 1991 and \$39 billion over the next 5 years. Cheney says that 16,000 jobs will be eliminated next year; 42,000 jobs will be phased out over 5 years.
- Jan. 12—Cheney imposes a freeze on hiring civilians through October 1, 1990; this move could eliminate 50,000 jobs in the Defense Department's 1.05-million civilian workforce.

Jan. 24—Cheney imposes a 3-month freeze on military construction to give the Defense Department time to review construction plans.

Jan. 29—At a news conference, Cheney outlines his proposed \$295-billion defense budget for fiscal 1991, a 2.6 percent decline in spending adjusted for inflation; Cheney proposes eliminating 5 Army divisions, holding naval forces at current levels and continuing funding for the B-2 bomber. In addition, some Army, Navy and Air Force bases will be eliminated.

### Political Scandal

Jan. 2—Robert Garcia (D., N.Y.) resigns from the House of Representatives; Garcia is scheduled for sentencing in mid-January on extortion charges.

Attorneys for former President Ronald Reagan ask the court to postpone Reagan's subpoena to testify in the trial of former national security adviser John Poindexter in connection with the Iran-contra affair.

Jan. 19—Garcia is sentenced to 3 years in prison.

Jan. 24—In Washington, D.C., U.S. District Court Judge Aubrey Robinson Jr. sentences retired Major General Richard Secord to 2 years probation for lying to Congress about his role in the Iran-contra affair.

Jan. 30—In Washington, D.C., U.S. District Court Judge Harold Greene orders Reagan to turn over relevant portions of his private diaries to Poindexter for use in his defense in the Iran-contra trial.

### Science and Space

Jan. 9—The space shuttle *Columbia* is launched at Cape Canaveral.

Jan. 20—The space shuttle *Columbia* makes a delayed landing after nearly 11 days in orbit; the shuttle has retrieved the Long Duration Exposure Facility (LDEF) satellite and has launched another satellite.

### Supreme Court

Jan. 9—The Court rules unanimously that universities accused of bias in tenure decisions must reveal data on "peer reviews" to federal investigators.

Jan. 10—In a 5-4 decision, the Court reaffirms a lower court ruling that illegally obtained evidence is not admissible in criminal trials.

### Terrorism

Jan. 2—The FBI says that 4 bombs that were mailed as part of an apparently racially motivated terror campaign in December, 1989, were made from similar material, 2 people died in the bomb blasts; the other 2 bombs were disarmed.

### VATICAN

(See also *U.S., Foreign Policy*)

Jan. 30—Pope John Paul II ends his 8-day trip to 5 countries in the Sahel region of Africa with a visit to Chad.

### VIETNAM

(See also *Intl, Cambodian Peace Talks*)

Jan. 5—Vietnam begins to allow former inmates of reeducation camps to emigrate; they were imprisoned for helping the U.S.-backed South Vietnamese government in the 1960's and 1970's.

### YUGOSLAVIA

Jan. 22—The Communist party votes to allow other parties to compete in a new system of "political pluralism."

Jan. 29—Thousands of ethnic Albanians demonstrate to demand free elections and the end of martial law in the province of Kosovo.

Jan. 30—In Pristina, Kosovo, at least 5 people are killed in ethnic Albanian rioting. ■

## THE MAHATHIR RECOVERY IN MALAYSIA

(Continued from page 138)

has been suggested that not only was he anxious to preserve trading privileges but also wished to avoid scrutiny of the country's questionable record on human rights.<sup>17</sup>

Soon after he became Prime Minister, Mahathir had shown his displeasure with Britain by introducing a policy of "buying British last" in 1981. However, this policy was abandoned in 1983, and in 1988 an arms deal with Britain was accompanied by an even larger British aid package. A principal component of the deal was the Tornado interceptor strike aircraft, useful for patrolling fishing grounds, oil and natural gas fields, and sea lanes. It was alleged, and denied, that there had been kickbacks, especially to Malay politicians.<sup>18</sup>

In 1988 and 1989, Malaysia continued to be active in wider diplomatic arenas. It was appointed to a seat in the United Nations Security Council in October, a post that it had sought for some time. Although Mahathir had been previously skeptical of the value of British Commonwealth conferences, Malaysia acted as host to the Commonwealth Heads of Government Meeting in October, 1989. In a strong speech, Mahathir called for continued pressure on South Africa and an end to industrialized countries' trade protectionism, and he advocated measures to break the grip of richer countries on poorer ones. Specifically, he accused rich countries of using environmental and human rights issues to hamper economic development in many third world countries.

### CONCLUSION

Malaysia's long-term problems are considerable. Politically, stability will always be in question, unless authority is tempered by a basis of consensus. Economically, nonrenewable resources must not be depleted—some critics believe that oil and timber were depleted during the recent recession. The quality of managers and entrepreneurs is unsatisfactory, although the government is trying to improve it.

In the short term, however, Mahathir's recovery from surgery has been accompanied by a political recovery from serious challenges to his authority. Unexpectedly strong economic recovery from the recession increases the chances that he will remain in power after the next election and for some time beyond. ■

<sup>17</sup>ST, April 22, 1989, p. 10; FEER, September 7, 1989, p. 100.

<sup>18</sup>Aliran, vol. 9, no. 5 (1989), p. 37, quoting *The Observer* (London), May 7, 1989; FEER, May 18, 1989, p. 14, June 8, 1989, p. 30.



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